Richemont

Annual Report and Accounts 2018

Richemont is one of the world's leading luxury goods groups.

The Group's luxury goods interests encompass some of the most prestigious names in the industry, including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC, and Montblanc.

Each of Our Maisons™ represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving.

Cautionary statement regarding forward-looking statements

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. 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 or to revise, any forward-looking statements.

Financial and operating highlights

Group sales (€m)

Sales by business area (% of Group)

Operating profit (€m)

Jewellery Maisons (€m)

Earnings per share, diluted basis (€)

Specialist Watchmakers (€m)

Dividend per share

Other Businesses (€m)

- Sales increased by 3% at actual rates and by 8% at constant rates to € 10 979 million. Excluding the impact of exceptional inventory buy-backs, sales grew by 7% at constant rates
- Strong retail performance reflecting solid jewellery and watch sales
- Double digit growth in mainland China, Hong Kong, Korea and Macau
- Operating profit grew by 5%; operating expenses rose by 2% excluding prior year's real estate gain
- Strong generation of cash flow from operations: increase of € 827 million to € 2 723 million
- Proposed dividend of CHF 1.90 per 1 A share/10 B shares, an increase of 6%

Chairman's review

Johann Rupert, Chairman

Overview of results

An improved macroeconomic environment, steady progress on Richemont's transformation agenda and a mixed currency environment marked the year under review. Sales increased by 3% at actual exchange rates, driven by high single-digit growth in retail and double-digit growth in Asia Pacific, with particular strength in our main markets, namely China, Hong Kong, Korea and Macau. Strong overall retail performance reflected solid jewellery and watch sales.

At the Jewellery Maisons, jewellery continued to perform strongly while watches benefited from easier comparatives and the successful relaunch of the 'Panthère' line, introducing one of Cartier's most iconic creations to a new generation. The Specialist Watchmakers continued to focus on optimising their distribution network and adapting their structures accordingly. Our approach to the grey market remains uncompromising. Over the period, we implemented further inventory buy-backs and strengthened the approach to managing sell-in versus sell-out at our multi-brand retail partners. Our Maisons grouped under 'Other' have focused on strengthening their leather and clothing offers, with first-time collections launched under new creative directors at both Chloé and Dunhill.

An improvement in gross profit and tight cost control led to a 5% increase in operating profit. Excluding the one-time items in this year and the prior year, operating profit for the year would have increased by 10%. Profit for the year was broadly in line with the prior year. Cash flow from operations improved to € 2 723 million. Following the acquisition of investment properties and a stake in travel retail specialist Dufry, net cash totalled € 5.3 billion at 31 March 2018.

Richemont's voluntary tender offer for the world's leading online luxury retailer, YOOX NET-A-PORTER GROUP, aims to accelerate our ability to satisfy today's sophisticated and globally dispersed clientele and demonstrates our commitment to developing a robust omni-channel proposition. Reflecting our view that travel retail spending will increase over time, we also invested in Dufry, a leading travel retail specialist listed on the SIX Swiss Exchange. In addition to continuing to address the challenges that affect our watch businesses, we further focused on developing our capabilities in leather goods.

Richemont continued to reinforce its teams and build expertise to ensure we have the depth of knowledge and skills needed to achieve its transformation. While we have recruited external capabilities where appropriate, the Group has also been able to leverage internal talent across Maisons and segments. These moves will play a critical role in preparing Richemont to meet the complex demands of a rapidly changing environment.

Dividend

In view of the cash flow generated and the strong net cash position, the Board has proposed a dividend of CHF 1.90 per 1 A share/10 B shares, up from CHF 1.80 per 1 A share/10 B shares last year.

Annual General Meeting

At last year's Annual General Meeting in September 2017, a number of long-serving non-executive members of the Board, together with former senior executives, did not stand for re-election. As a result, shareholders of Compagnie Financière Richemont SA elected eight new directors to the Board, whose biographies may be found in the annual report. Following the changes at the Board level, Board Committee composition was reviewed.

The Audit Committee welcomed Mr Clay Brendish and Mr Guillaume Pictet as non-executive directors, given that Mr Yves-André Istel and Lord Renwick of Clifton did not stand for re-election.

The Compensation Committee is now composed of three new non-executive directors: Mr Clay Brendish (Committee Chairman), Mr Guillaume Pictet and Ms Maria Ramos, following the decisions of Lord Renwick of Clifton, Mr Istel and the Duke of Wellington not to stand for re-election.

At the Strategic Security Committee, Prof Schrempp and Lord Renwick of Clifton were succeeded by Mr Clay Brendish (as Chairman), Mr Anton Rupert, and Mr Jan Rupert.

Outlook

In line with Richemont's prudent balance sheet policy, we have recently taken advantage of a low interest rate environment to raise long-term debt to fund the development of our businesses as we continue to adapt and evolve. The support received from investors for Richemont's € 4 billion inaugural bond issue in March 2018 demonstrates the strength of our balance sheet and confidence in the quality of our assets and long-term growth opportunities.

While Richemont's unique portfolio of Maisons and other assets are well-positioned, our long-term approach does not preclude us from targeting strategic investments and divestments, as we have demonstrated over the past year. Our strong cash flow and balance sheet ensure we are equipped to realise the Group's full potential over the past three decades.

I would like to thank Richemont's over 28,000 employees for the creativity, integrity and engagement they bring to the Group and its Maisons. We have grown considerably over the three decades, thanks in no small part to our employees' individual contributions.

As I conclude this commentary, I would like to pay tribute to Azzedine Alaïa. We have lost a dear friend and colleague, and the industry has lost an exceptional talent. A source of inspiration to many, he has left an enduring creative legacy.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 18 May 2018

Jewellery Maisons

Key results

Sales (€ m)

2018	6 447
2017	5 927

Operating result (€ m)

2018	1 926
2017	1 682

Percentage of Group sales

2018

Jewellery Maisons 59%

Richemont's Maisons

Cartier

Van Cleef & Arpels

Cartier

Founded in 1847, Cartier is not only one of the most established names in the world of Jewellery and Watches, it is also the reference of true and timeless luxury. Referred to as The Maison Cartier, it distinguishes itself by its mastery of all the unique skills and crafts used for the creation of a Cartier piece. Driven by a constant quest for excellence in design, innovation and expertise, the Maison stands in a unique and enviable position; that of a leader and pioneer in its field.

5th Avenue boutique, New York

- 2017 saw the unveiling of a new slimmer *Love* bracelet, the relaunch of *Juste un Clou*, and the rebirth of *Panthère de Cartier*.
- Cartier revealed a new High Jewellery collection *Résonances de Cartier*.
- The launch of the new *Santos de Cartier* was the highlight of the 2018 Salon International de la Haute Horlogerie.

Iconic styles, bold and fearless femininity, were the key highlights of the first quarter. The unveiling of a new slimmer *Love* bracelet, the relaunch of *Juste un Clou*, and the rebirth of *Panthère de Cartier*, showcased at a major international event in Los Angeles, generated great coverage and commercial success for the Maison.

From July 2017, Cartier once again expressed the excellence of its craftsmanship with the revelation of a new High Jewellery collection. *Résonances de Cartier* was presented to a large audience of connoisseurs and clients in London and New York, then travelled to Nara, Taipei, and lastly Shanghai. Composed of hundreds of creations, it has enabled the Maison to reach new highs in High Jewellery.

Cartier also stands for creative watchmaking and confirms its position. The highlight of the 2018 Salon International de la Haute Horlogerie in Geneva was the launch of the new *Santos de Cartier*: a refined and contemporary shape, masculine and elegant, equipped with new systems enabling one to easily change straps and adjust sizes. Also featured at the Salon International de la Haute Horlogerie was the *Cartier Libre* collection, reshaping some of the Maison's signature watches with unbridled creativity. Cartier's ability to showcase all its creations in the ultimate retail environment was, more than ever, at the centre of the Maison's priorities. Its retail footprint has undoubtedly become one of its prime assets. Last summer, Cartier revealed a new store design concept, with the reopening of its Riviera boutique in Cannes, followed by Harrods in London. Featuring precious and contemporary materials, comfortable spaces and versatile displays, the new concept aims to provide the most refined experience to its clients. In parallel, the Maison opened its first 'pop-up' boutique in Tokyo at Roppongi Hills, to celebrate the 100th anniversary of the *Tank* watch collection.

To complement and support the appeal of the Maison's boutiques, Cartier can now truly count on its e-commerce network. This digital experience meets clients' higher expectations for service, accessibility and performance through 19 mobile versions of Cartier sites worldwide, including in the People's Republic of China.

Cartier

The Fondation Cartier pour l'art contemporain, created in 1984, is a pioneering creative space for artists and a place where art and the public can meet. In 2017, the Fondation presented 'Auto Photo', an exhibition exploring the relationship between photography and cars and their evolution through time. This was followed by 'Mali Twist', a large-scale retrospective paying tribute to the Malian photographer, Malick Sidibé. Abroad, the Fondation Cartier is developing an ambitious programme of exhibitions: this year a major selection from its collection was shown at the Seoul Museum of Arts, followed by the Centro Cultural Kirchner in Buenos Aires, and in April 2018, at the Shanghai Power Station of Arts.

Instituted in 2012 to catalyse the Maison Cartier's philanthropic commitment to improve the livelihoods of the most vulnerable, Cartier Philanthropy focuses on the most excluded, in particular women and children living in the world's least developed regions. The Foundation currently supports 27 partners, mostly non-governmental, in 22 developing countries.

In the year ahead, Cartier will unveil another outstanding High Jewellery collection; an audacious, transversal project; and will relaunch its leather goods category. *Panthère* and *Santos de Cartier* will remain as key watch highlights.

Cyrille Vigneron
Chief Executive

Bond Street boutique, London

13 rue de la Paix boutique, Paris

Established 1847 at
13 rue de la Paix, Paris, France
Chief Executive Officer Cyrille Vigneron
Finance Director François Lepercq
www.cartier.com

Van Cleef & Arpels

Created in 1906, Van Cleef & Arpels is a High Jewellery Maison embodying the values of creation, transmission, and expertise. Each new jewellery and timepiece collection is inspired by the identity and heritage of the Maison and tells a story with a universal cultural background, a timeless meaning, and expresses a positive and poetic vision of life.

Van Cleef & Arpels on Place Vendôme, Paris

- Major launches focused on High Jewellery with *Le Secret* and the *Frivole* jewellery collections.
- The Maison reinforced its retail-only distribution by opening new locations and reinforcing its presence in key markets.
- The traditional crafts of jewellery and decorative arts continue to be promoted by L'Ecole des Arts Joailliers, a school supported by Van Cleef & Arpels.

During the year, the major launches were focused on High Jewellery with the collection *Le Secret* unveiled in Kyoto; the launch of *Frivole* jewellery collection, and the continuous support of the *Alhambra* and *Perlée* collections as pillars of the Maison. The enrichment of the Poetry of Time offer saw the launch of the *Lady Arpels Planetarium* and *Le Jardin by Van Cleef & Arpels* High Jewellery watch collection.

With a network of 129 stores worldwide, the Maison has built a well-balanced activity geographically and among all nationalities.

In the last twelve months, the Maison reinforced its retail-only distribution by opening six new locations, expanding to Germany with a store in Munich, and reinforcing its presence in key markets including Canada, Japan, and Korea. The Maison continued to invest in its existing network, enriching the boutique concept with new designs of private salons while renovating nine stores.

Van Cleef & Arpels continued to enhance its heritage dimension through the 'Mastery of an Art' exhibition in Kyoto, a dialogue between High Jewellery and historical Japanese crafts; reinforced its links with the world of culture and dance through projects such as the third edition of the Fedora Prize – Van Cleef & Arpels Prize for ballet; and *Marfa Dance Episodes*, choreographed by Benjamin Millepied with the support of the Maison.

L'Ecole des Arts Joailliers continues to promote the traditional crafts of jewellery and decorative arts with the development of new classes and the Creative Workshops dedicated to children. In 2017, L'Ecole also continued its international nomadic vocation and travelled to Hong Kong and, for the first time, Dubai.

The Maison's digital roadmap defines the different dimensions of its digital activities, always in respect of its identity. Projects regarding e-communication, e-services, and e-sales are continuously implemented.

Human resources are at the heart of our Maison. Our focus consists of building sustainable teams, reinforcing expertise, promoting flexibility and adaptability of our organisation and ensuring that the vision, purpose and values of the Maison are shared and understood at all levels.

For the coming year, the Maison will continue to express its values of creativity, transmission and expertise, and maintain a balanced presence and development all around the world.

The key moments will be the *Alhambra* 50th Anniversary celebration; the launch of the *Quatre Contes de Grimm* High Jewellery collection in Austria; and the opening of the patrimonial exhibition 'When elegance meets art' organised in Beijing by the French Musée des Arts Décoratifs ('MAD').

Nicolas Bos
Chief Executive

Established 1906 at
20-22 Place Vendôme, Paris, France
Chief Executive Officer Nicolas Bos
Finance Director Christophe Grenier
www.vancleefarpels.com

Specialist Watchmakers

Key results

Sales (€ m)

2018	2 714
2017	2 879

Operating result (€ m)

2018	262
2017	226

Percentage of Group sales

2018

Specialist Watchmakers 25%

Richemont's Maisons

A. Lange & Söhne Glashütte I/SA

Officine Panerai Firenze 1860

Baume & Mercier Maison d'Horlogerie Geneve 1830

Piaget

IWC Schaffhausen

Roger Dubuis

Jaeger-LeCoultre

Vacheron Constantin Manufacture Horlogère. Genève, depuis 1755.

A. LANGE & SÖHNE
GLASHÜTTE I/SA

A. Lange & Söhne creates outstanding hand-finished mechanical timepieces with challenging complications that follow a clear and classical design line. Innovative engineering skills and traditional craftsmanship of the highest level guarantee state-of-the-art calibre design, the utmost mechanical precision, and meticulously hand-finished movements.

Main manufactory building, inaugurated in 2015

- *Triple Split*, a mechanical split-seconds chronograph allowing multi-hour comparative time measurements, was launched.
- *Saxonia* watch family was extended by the *Saxonia Outsize Date*, two new versions of the *Saxonia Moon Phase* and a blue-dial version of the *Saxonia Thin*.
- *1815 'Homage to Walter Lange'* a tribute to the founder Walter Lange who passed away in January 2017, featuring a stoppable jumping seconds hand, was added to the collection.

Since its re-foundation in 1990, A. Lange & Söhne has developed 62 different in-house calibres, each revealing its unmistakable origins in high-precision Lange pocket watches.

This year's product highlight is the *Triple Split*, the first mechanical split-seconds chronograph in the world that allows multi-hour comparative time measurements. Additional rattrapante hands on the minute and hour counters make it possible to stop lap and reference times of events that last as long as twelve hours.

The *Saxonia* watch family was extended by the *Saxonia Outsize Date* with a black dial and a Lange outsize date with white numerals on black background, two new versions of the *Saxonia Moon Phase* with a black dial, and the *Saxonia Thin* with a solid silver dial coated with a thin layer of subtly shimmering blue goldstone.

Three versions of the *1815 Chronograph* have been added to the collection – in white gold with a black dial in June 2017 and in pink gold with a black or an argenté-coloured dial in January 2018.

In honour of company founder Walter Lange, who passed away in January 2017, A. Lange & Söhne presented the *1815 'Homage to Walter Lange'*. It features a stoppable jumping seconds hand and is limited to 27 pieces in yellow gold, 90 pieces in pink gold and 145 pieces in white gold. A unique model with a stainless steel case and a black enamel dial was auctioned off for a charitable purpose by the auction house Phillips in association with Bacs & Russo in Geneva in May 2018. A. Lange & Söhne will donate the auction proceeds to the Children Action Foundation.

For the eighth time, A. Lange & Söhne organised the international F. A. Lange Scholarship & Watchmaking Excellence Award in 2017 to support the education of the next generation of watchmakers. In honour of Walter Lange, the competition will continue under the name 'Walter Lange Watchmaking Excellence Award' from 2018.

The Maison is also perpetuating its regional sponsorships of the Dresden State Art Collections and the Semperoper Opera House in Dresden. Additionally, the long-lasting partnership with the Concorso d'Eleganza Villa d'Este, a renowned contest for beauty and elegant design of classic automobiles, continued. It will be complemented by a new collaboration with Hampton Court Palace, London in September 2018.

A. Lange & Söhne timepieces are available in 60 countries at 220 points of sale and 18 boutiques.

Wilhelm Schmid
Chief Executive

Established 1845
Ferdinand-A.-Lange-Platz 1, Glashütte, Germany
Chief Executive Officer Wilhelm Schmid
Finance Director Beat Bührer
www.lange-soehne.com

BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830

Since 1830, Baume & Mercier has been creating watches of the highest quality, imbued with a classic, timeless aesthetic and leaving their mark on time itself. Our timepieces for men and women are all unfailingly committed to excellence and driven by a single purpose: to be indelible embodiments of the most memorable moments of our lives.

Dubai Mall external boutique

- Launch of the *My Classima* range to match customer expectations and rejuvenate the client base.
- Launch of the *Clifton Club* collection, embodying a renewed focus on the sports segment.
- Chinese brand ambassador Chen Kun: launch of a limited edition collection co-developed with him.

In 2017, within an economic context where customers' expectations are more than ever the chief concern, Baume & Mercier confirmed its core positioning with high-quality yet affordable timepieces focused firmly on desirability.

Baume & Mercier launched *My Classima* for men and women. Destined to help rejuvenate its audience, it is the first watch to acquire and would be the perfect gift, effectively enhancing the celebration message. There was also a renewed focus on the sports segment with a dedicated collection, *Clifton Club*, a series of five models radiating sophisticated elegance and attractive price positioning. The Maison has activated a worldwide community of more than 60 professional sportsmen – embodying the values of fair play, respect, and team spirit – whom it refers to as 'gentlesportsmen'. Baume & Mercier has signed agreements with partners in different sporting disciplines such as Stade Toulousain in France for rugby, Nascar Race in Italy for stock car racing, Mexican National Football Team for football, and the International Jumping Event in Brazil for horse jumping. The aim was to animate relevant platforms with 'gentlesportsmen' presence to capture the *Clifton Club* spirit and values through unforgettable experiences for clients and media.

Baume & Mercier also celebrated femininity and fashion by sponsoring Fashion Forward Dubai for the second year running, while the People's Republic of China saw the unveiling of a limited edition collection developed in partnership with its brand ambassador, Chen Kun, conveying the values of a modern gentleman.

For 2018, the priority is to give access to timepieces delivering even higher performance and meaningfully tailored to customer expectations, which continue to drive innovation. Baume & Mercier has launched its first in-house calibre, the *Baumatic*™. It is also pursuing its quest for exciting and thrilling stories by beginning a partnership with Indian, the American motorbike brand with an incredible heritage of performance and quality. Three limited editions have been created to support this new story, which enhances the Maison's presence in the masculine mechanic sports territory, initiated three years ago with Shelby® American Inc.

Major transformation plans have been developed for digital operations across social networks and the brand website, notably in the field of e-commerce. In an ever-changing world, Baume & Mercier will continue to reinforce its digital presence and come up with new concepts that meet millennials' expectations.

Alain Zimmermann
Chief Executive

Established 1830
4 rue André de Garrini, Meyrin, Geneva, Switzerland
Chief Executive Officer Alain Zimmermann
Finance Director Philippe Hermann
www.baume-et-mercier.com

IWC
SCHAFFHAUSEN

IWC Schaffhausen is the engineer of fine watchmaking and the choice for ambitious individuals with an appreciation of mechanics, a sense of style, and a taste for adventure.

IWC headquarters in Schaffhausen

- IWC launched the *Jubilee* collection in celebration of the manufacture's 150th anniversary at the Salon International de la Haute Horlogerie 2018 in Geneva.
- With the launch of the IWC Racing Team, IWC becomes the first watch brand to compete in selected classic car races.
- IWC unveiled a worldwide multimedia advertising campaign with brand ambassador Bradley Cooper.

At the Salon International de la Haute Horlogerie 2017, IWC presented the new *Da Vinci*, a relaunch of the Maison's iconic line from the 1970s. The collection is developed around the reinterpretation of the iconic *Perpetual Calendar Chronograph,* originally developed by Kurt Klaus in 1985. In September, IWC completed the new *Ingenieur* family with a collection of automatic and chronograph timepieces as well as a *Perpetual Digital Calendar*. Throughout the year, IWC enriched its portfolio with several additions to its bestselling *Pilot's Watches* line.

On the occasion of IWC's 150th anniversary, the Maison presented a *Jubilee* collection at the Salon International de la Haute Horlogerie, consisting of limited timepieces from four different product families and a flagship reference called *Tribute to Pallweber*, based on a jumping hour and minute complication with digital time display, originally introduced in 1884.

IWC continued to demonstrate its passion for filmmaking by debuting as a partner of the Toronto International Film Festival. The Maison held 'For the Love of Cinema' gala events at the BFI London Film Festival, the Zurich Film Festival, and the Dubai International Film Festival, and supported young filmmakers with the IWC Filmmaker Award.

The *Ingenieur* collection was formally launched at the 75th Goodwood Members Meeting in March, and further supported through Passione Caracciola in June. IWC participated in a series of Formula One™ Grand Prix races including Monaco and Abu Dhabi, and implemented a series of activities around the Laureus World Sports Awards in Monaco. Finally, the Maison launched the IWC Racing Team at the 76th Goodwood Member's meeting in March 2018, becoming the first luxury watch brand to compete in classic car races with its own team and car. On a local level, the Maison executed over 120 small events ranging from AMG driving experiences to cooking experiences with leading chefs.

During the year, IWC opened or relocated six internal boutiques in Munich, Geneva, Toronto, Vancouver, Beijing, and Shanghai. IWC also launched e-commerce on its website iwc.com in the US, and opened a new Pilot's Bar 'Les Aviateurs' in Geneva.

In the year ahead, we will be celebrating 150 years of IWC Schaffhausen through a series of events and exhibitions, culminating in the formal opening of our new manufacturing centre in Schaffhausen. We will further launch our new advertising campaign featuring Bradley Cooper, targeted specifically at the US and global travel markets.

Christoph Grainger-Herr
Chief Executive

Established 1868
Baumgartenstrasse 15, Schaffhausen, Switzerland
Chief Executive Officer Christoph Grainger-Herr
Chief Financial Officer Lorenz Bärlocher
www.iwc.com

Since its founding in 1833, Jaeger-LeCoultre has created over 1 200 calibres and registered more than 400 patents, placing the Manufacture at the forefront of invention in fine watchmaking. Its leading position stems from its full integration with over 180 savoir faire gathered under one roof, in the heart of the Vallée de Joux.

Manufacture Jaeger-LeCoultre, Le Sentier

- In 2017, Jaeger-LeCoultre wrote a new chapter in the history of its *Rendez-Vous* collection of women's timepieces.
- 2017 saw the celebration of the *Master Control* collection's 25th anniversary.
- This year, Jaeger-LeCoultre will celebrate the 50th anniversary of its legendary *Memovox Polaris*.

In 2017, Jaeger-LeCoultre wrote a new chapter in the history of its *Rendez-Vous* collection of women's timepieces. Originally introduced in 2012 and designed specifically to celebrate feminine horology, *Rendez-Vous* bears all the hallmarks of Jaeger-LeCoultre's mastery: impeccable timekeeping accuracy, unrivalled excellence in craftsmanship and artistry of its jewellery designs. The new *Rendez-Vous* collection embodies the talents of watchmakers and craftspeople in the Manufacture. The introduction of the large moon, a new chiming reminder function, available in yellow and rose gold, with the possibility of a larger size and new strap colours, reflect the popularity of the *Rendez-Vous* collection worldwide.

Another highlight of 2017 was the celebration of the *Master Control* collection's 25th anniversary. For this event, the Maison presented a new expression of the line's three emblematic functions: the *Master Control Date*, the *Master Chronograph*, and the *Master Geographic*, drawing on Jaeger-LeCoultre's rich design heritage.

Jaeger-LeCoultre has continued to pursue a selective distribution strategy throughout the year by privileging luxury shopping destinations. Among other exclusive locations, the Maison has opened in Kuala Lumpur, in Tokyo, and in Harrods, London. In addition, Jaeger-LeCoultre has internalised its business in the United Arab Emirates.

In 2018, the Maison will celebrate the 50th anniversary of its legendary *Memovox Polaris* of 1968. This breakthrough design has become one the most sought-after watches of La Grande Maison. It inspired the makers of Le Sentier to create an entire range of watches dedicated to the man in action, combining elegance and everyday wear. This collection will be supported with digital activation on social media, customer relations, and e-commerce.

Jaeger-LeCoultre is committed to upholding High Watchmaking in its purest expression, to enchant an evermore refined and international clientele. The communication of the Maison will be focused on *savoir faire* as the 'Made of Makers' campaign is rolled out progressively in 2018, highlighting the forefront positioning of the Maison in the manufacturing of exclusive pieces.

Geoffroy Lefebvre
Deputy Chief Executive

Established 1833
8 rue de la Golisse, Le Sentier, Switzerland
Deputy Chief Executive Officer Geoffroy Lefebvre
Finance Director Peggy Le Roux
www.jaeger-lecoultre.com

OFFICINE PANERAI
FIRENZE 1860

Officine Panerai's exclusive sports watches are a natural blend of Italian design, innovative technology and maritime heritage.

Officine Panerai boutique in Piazza San Giovanni, Florence

- With the presentation of the *Luminor 1950 Submersible*, Panerai demonstrated its increased level of technical awareness.
- Panerai launched a dedicated collection of five watches in limited edition on the occasion of its partnership with the 35th edition of the America's Cup.
- The Maison continues to develop its omni-channel capabilities and specific content for social media networks.

The year was marked by the launch of new references in the iconic *Luminor 1950 Submersible* collection, including the 42mm models and innovative materials.

On the occasion of its partnership with the 35th edition of the America's Cup – a strategic project to convey the Maison's focus on research and technical innovation – Panerai launched a dedicated collection of five watches in limited edition.

Panerai's historic link with the sea continues to be expressed by the exclusive Panerai Classic Yachts Challenge, the international regatta circuit reserved for vintage and classic yachts, and by Eilean the 1936 ketch serving as brand ambassador and platform for communication and Corporate Social Responsibility activities.

Panerai continues to be deeply involved in partnerships with influential designers, institutions, and events such as the Milan Design Week, the London Design Festival, and Design Miami.

In order to reach new audiences and increase brand awareness, Panerai has started collaborating with social media influencers in 2018 and has launched the Panerai Traits project, a digital exploration of the Maison's identity through portraits – movies and other digital content – of four international personalities who embody passion and talent in areas that are characteristic of the Maison.

During the year, Panerai will continue to develop its omni-channel capabilities with the activation of the e-commerce functionality on WeChat in the People's Republic of China and with the global launch of Panerai on Mr Porter.

Panerai will also continue to consolidate its digital presence by developing specific content for social media networks, in order to raise the awareness and desirability of Panerai at a global level.

Angelo Bonati
Chief Executive

Established 1860 at
Piazza San Giovanni 14/R, Palazzo Arcivescovile, Florence, Italy
Chief Executive Officer Angelo Bonati
Chief Financial Officer Giorgio Ferrazzi
www.panerai.com

PIAGET

The journey of the Maison Piaget began in 1874, with a unique vision: always innovate to be able to liberate creativity. Known for its audacity, it enjoys unrivalled credentials as both a Watchmaker and Jeweller. Two fully integrated manufactures enable the Maison to reaffirm its unique expertise in ultra-thin movements and gold and jewellery crafting.

Piaget's manufacture and headquarters, Geneva

- Piaget introduced new movements and a design to celebrate the 60th anniversary of *Altiplano*.
- The Maison created major events in Rome, Shanghai and at Art Dubai to reveal the *Sunlight Journey* collection.
- Piaget unveiled two major innovations: *Altiplano Ultimate,* the thinnest mechanical watch ever created, and the thinnest self-winding watch, *Altiplano Ultimate Automatic.*

During the year, Piaget's iconic *Possession* collection welcomed new bangles and pendants, set with ornamental stones in five signature Piaget colours to express the joyfulness of the brand.

2017 was also the 60th anniversary of *Altiplano*, the reference in ultra-thin watches. To celebrate this anniversary, Piaget introduced new movements and a design inspired by our historical models.

Piaget launched an impressive Haute Joaillerie collection, *Sunlight Journey*, that beautifully blends the creativity of Piaget with exceptional stones, decorative techniques and Métiers d'art. To reveal this collection, the Maison created major events in Rome, Shanghai, and at Art Dubai, with whom we have collaborated for the past three years, supporting local emerging artists.

Piaget continues its support of cinema by contributing as sponsor to the Spirit Awards held in the US, and the Golden Horse Film Festival in Taiwan. Jessica Chastain, Piaget international brand ambassador, represented the Maison during all the major cinema festivals. Another Piaget international brand ambassador, Ryan Reynolds, made an everlasting mark on Hollywood's Walk of Fame in 2017 wearing his *Altiplano*.

Piaget has always had a strong relationship with art. In 2017, it collaborated with The Andy Warhol Museum to unveil in London part of the Warhol Time Capsules, along with historical Piaget watches from the Warhol Collection.

For the 2018 edition of the Salon International de la Haute Horlogerie, the Maison expressed its unique territory through breathtaking creation. On the feminine side, a new *Possession* jewellery watch was presented, with a playful rotating bezel and interchangeable straps, completely integrated to the *Possession* jewellery line. On the masculine side, Piaget reaffirmed its legacy in the ultra-thin territory, unveiling two major innovations. The first concept watch, *Altiplano Ultimate*, has five patents for a 2mm thin watch, the thinnest mechanical watch ever created, and the thinnest self-winding watch, *Altiplano Ultimate Automatic*.

In 2018, Piaget opened its Atelier de l'ultra-plat in its Manufacture in la Cote-aux-Fées to celebrate this exceptional heritage.

Going forward, Piaget will continue to assert its unique identity by expanding its iconic lines and writing its very own style with daring new creations.

Chabi Nouri
Chief Executive

Established 1874
37, chemin du Champ-des-Filles, Geneva, Switzerland
Chief Executive Officer Chabi Nouri
Chief Financial Officer Valerie Bron
www.piaget.com

ROGER DUBUIS

Representing a disruptive blend of distinctive character and Haute Horlogerie expertise, Roger Dubuis has been at the forefront of the contemporary watchmaking scene since 1995. The Manufacture offers a range of audacious, hand-crafted, all-mechanical timepieces combining inventive calibres with powerful and daring designs.

Roger Dubuis' Manufacture and headquarters, Geneva

- Roger Dubuis offers exceptional complications highlighted by *Excalibur*, embodying a world of spectacular performance and disruptive innovations.
- In 2018, Roger Dubuis highlights its motorsport partnerships with Pirelli and Lamborghini associated to its iconic *Excalibur* collection.
- Following extensive development in recent years, the Maison has an exclusive distribution network with 160 points of sale and 25 boutiques.

The exceptional degree of vertical integration achieved by the Manufacture Roger Dubuis enables it to enjoy the comprehensive mastery of its in-house production. This capacity has also contributed to its specialisation in spectacular limited editions, as well as to its enviable reputation in the domain of skeletonised flying complications. The consequent investments in research and development, conducted by its technical lab, and the creativity of the design studio lead to a steady stream of breakthrough technical solutions as well as inventive combinations of materials. Many of the resulting world premiere mechanisms or inventions are in turn protected by patents. The manageable scale of production also provides the flexibility and freedom required to enable the Maison to offer its clients almost limitless scope for personalisation of movements, watch exteriors and finishes, regrouped under the *Rarities* concept.

In 2017, Roger Dubuis associated its development to the world of motorsport with a unique principle: 'When visionary engineers meet with incredible watchmakers'. Consequently, our technical team has created, with the engineers of Pirelli and Lamborghini, some of the most spectacular mechanical concepts of our industry.

On the other hand, these partnerships have encapsulated a corporate philosophy, a radical research and development vision, the same flair for disruptive designs and superlative technical engineering, and an attitude in sync with customers shared by the three brands. Two exclusive partnerships committed to delivering outstanding customer experiences of the kind 'money cannot buy' and the ensuing launch of a series of Geneva hallmarked models.

In 2018, Roger Dubuis will enjoy a particularly high-profile on track presence as one of the main sponsors of the brand new Huracán Super Trofeo EVO: the legendary Lamborghini one-off series, a wild beast capable of extreme performance. The meaning of Roger Dubuis exclusivity attains new levels with the latest in a series of unequivocally singular limited editions, designed to keep a wholly unique clientele riveted with a never-ending whirlwind of extravagant, naturally daring experiences.

In the year ahead, Roger Dubuis will witness the continued spectacular programme of limited editions, innovations in materials and calibres associated with our motorsport partners.

All these new developments contribute to strengthen Roger Dubuis as a 'serial innovator since 1995'.

Jean-Marc Pontroué
Chief Executive

Established 1995
2 rue André de Garrini, Meyrin, Geneva, Switzerland
Chief Executive Officer Jean-Marc Pontroué
Finance Director Philippe Hermann
www.rogerdubuis.com

VACHERON CONSTANTIN
GENÈVE

Crafting eternity since 1755, Vacheron Constantin is the world's oldest watch Manufacture, faithfully perpetuating a proud heritage based on transmitting expertise through generations of master craftsmen.

Vacheron Constantin's manufacture and headquarters, Geneva

- *Les Cabinotiers Celestia* was awarded the Mechanical Exception Watch Prize by the 2017 Grand Prix d'Horlogerie de Genève.
- Steady business growth and strengthened retail presence in the Middle East and the People's Republic of China.
- Revelation of new *Fiftysix* collection, new Métiers d'Art *Les Aérostiers* and complicated pieces within core collections.

Epitomising the very spirit of Haute Horlogerie, Vacheron Constantin continues to design, develop and produce outstanding timepieces for connoisseurs who value understated luxury aesthetics, superlative finishing and technical excellence.

Astronomy was the main theme of 2017. Following its long-standing quest for excellence, the Maison unveiled an horological landmark: *Les Cabinotiers Celestia Astronomical Grand Complication 3600*, a feat of engineering and miniaturisation accomplished by a master watchmaker over five years. This unique timepiece was awarded the Mechanical Exception Watch Prize by the 2017 Grand Prix d'Horlogerie de Genève.

Still within the astronomy theme, the Maison unveiled the *Métiers d'Art Copernicus celestial spheres 2460RT*, combining astronomical complications with a new calibre reproducing heliocentrism and Métiers d'Art features. Beyond these specific collections the Maison continued to offer astronomical complicated pieces across its collections.

In 2017, Vacheron Constantin also introduced five new references into the *Historiques* collection, which were very well received by connoisseurs, clients, and High Watchmaking experts alike.

During the year, the Maison posted steady growth, especially in established markets across Asia and particularly in the People's Republic of China, but also in growing regions such as the Middle East, where it further strengthened its retail presence.

Vacheron Constantin has built a consistent boutique network in key luxury capitals around the world, as well as an exclusive distribution with retailers.

The development of *Les Cabinotiers* resulted in a strong growth of the unique timepieces segment, expressing the ultimate Maison know-how in both technical and Métiers d'Art fields.

The year ahead marks an important year for the Maison, which recently revealed the new *Fiftysix* collection to be launched in the autumn, a new Métiers d'Art collection *Les Aérostiers*, as well as new complicated pieces within classic and *Overseas* collections – all received with high interest and success at the Salon International de la Haute Horlogerie 2018.

Vacheron Constantin looks to the future with ambition and confidence, building on its successful collections, its unassailable reputation for fine craftsmanship and its unique one-to-one approach to client relations – all forged in accordance with François Constantin's motto '*do better if possible, and that is always possible*'.

Louis Ferla
Chief Executive

Established 1755
10 Chemin du Tourbillon, Geneva, Switzerland
Chief Executive Officer Louis Ferla
Chief Financial Officer Gil Weinmann
www.vacheron-constantin.com

Other Businesses

Key results

Sales (€ m)

2018	1 818
2017	1 841

Operating result (€ m)

2018	-65
2017	110

Percentage of Group sales

2018	Other Businesses 16%

Richemont's Maisons

ALAÏA PARIS
MONTBLANC
dunhill LONDON
PETER MILLAR
Chloé
PURDEY

ALAÏA
PARIS

The plans made a decade ago for the Maison have now been brought forward with Mr Alaïa's untimely passing on 18 November 2017.


The late Azzedine Alaïa in 2017

- The exhibition in Paris 'Je Suis Couturier' displayed Mr Alaïa's extraordinary work to the public.
- To build awareness, the Maison continues to focus on key relationships and is investing in customised corners or partnership boutiques.
- During the year, the Maison launched a new eyewear product category and within the fragrance category, *Nude*, the third in a series of three.

Having had another prolific year of work, in addition to presenting four ready-to-wear collections, Mr Alaïa presented a *Couture* collection in July during Couture Week in Paris. It was the first since 2011 and received great accolades, being a collection "worth the wait" according to Vogue.

The respect and affection for which Mr Alaïa was regarded was reflected in the many public tributes offered at the time of his passing. The significant presence in the stores and increase in sales demonstrates the huge appreciation for Mr Alaïa's work and the necessity to preserve his rich and unsurpassed legacy. This legacy will be carried forward by the many talented people who have long been a part of the Alaïa family, bringing forward his vision of style and timeless beauty.

Always a visionary, in 2007 Azzedine Alaïa, in partnership with the artist Christophe von Weyhe, his longtime partner, and the publisher Carla Sozzani, his close friend of 40 years, formed the Alaïa Association to preserve and exhibit Mr Alaïa's own work as well as to present his large holdings of art, design, and fashion.

To highlight the Maison's vision, the Alaïa Association opened an exhibition in January during Couture Week entitled 'Je Suis Couturier' to show Mr Alaïa's extraordinary work to the public from the headquarters of the Alaïa Association at rue de la Verrerie, in Paris in the Marais, once Mr Alaïa's home. The exhibition is attracting hundreds of visitors every day with an attendance level far beyond expectations.

Expansion plans continue to advance, with the retail business experiencing growth over last year's results. The Galeries Lafayette corner in Paris was internalised and the results are strong. There are stronger results in the boutique at 7, rue de Moussy, the first Alaïa boutique located where Mr Alaïa lived and worked.

The wholesale business remains challenging across markets, especially in the US and Asia. The Maison continues to focus on key relationships, investing in customised corners or partnership boutiques that best present the Maison to build awareness and strengthen ties within key markets.

The Maison also saw two new product launches with partners this year. A new eyewear product category launched in partnership with Kering Eyewear, introducing six new models for the Spring-Summer 2018 collection that arrived in stores in January 2018. Additionally, within the fragrance category, the third in a series of Eau de Parfum identified by Alaïa's iconic colours, *Nude* launched at the end of 2017 in partnership with Shiseido, to complete the series of *Black*, *White*, and *Nude*.

A new flagship opened in London in April at 139 New Bond Street, a city in which Mr Alaïa was always at home. Furthermore, 'Azzedine Alaïa: The Couturier', a show curated by Mark Wilson, opened in May at the London Design Museum, expanding public awareness there and abroad.

The strengthening of existing partnerships, the continued development of licensed products, and the expansion of a variety of venues in which to showcase Mr Alaïa's design genius, all demonstrate the distinctive Alaïa vision of modern femininity for which Mr Alaïa was revered and will continue to be remembered as the Maison now goes forward.

Established 1983
7 rue de Moussy, Paris, France
www.alaia.fr

dunhill
LONDON

Founded in 1893 in London, Alfred Dunhill has been design-driven with style and purpose for 125 years. Today the Maison represents the best of British leather goods and menswear, offering unique luxuries for men.

Bourdon House, the London Home of Alfred Dunhill

- The Maison has been repositioned with a clear and defined vision to capture millennial customers and establish a wider audience.
- The product offer has been expanded and refreshed to address the casualisation of luxury, with outerwear and leather categories leading the strategy.
- New leather launches this year included the *Cadogan Engine Turn* and *Chiltern* collections.

During the year, the Maison has been repositioned with a clear and defined vision to capture millennial customers and establish a wider audience.

A new regular floor set delivery strategy has been implemented that ensures newness across every touch point and enables aligned dynamic communications. The Creative Director, Mark Weston, leads a 360 degree design approach encompassing all categories, ensuring a new and agile view to quickly bring the best of British luxury menswear to market. This culminated in a runway show in January to bring this vision to a global audience.

The product offer has been expanded and refreshed to address the casualisation of luxury, with outerwear and leather categories leading the strategy. New leather launches this year included the *Cadogan Engine Turn* and *Chiltern* collections, alongside newly introduced sneakers as part of an ongoing focus on the footwear category.

Key new store openings this year included Beijing's Shin Kong Place in October, with the opening of an expanded store in Dubai Mall and the restructuring of the Tokyo Ginza Flagship planned for next year. Over the last twelve months, the vast majority of the retail network has been transformed to increase store productivity and to update the visual vocabulary of dunhill.

Our world store, or e-commerce site, has undergone a dramatic new look as we focus our efforts on a digital-first strategy, to blur the lines between online and offline. Digital is the primary touch point for dunhill and the first route to market to target a millennial consumer. New enhancements for our customers have been rolled out over the last year, including click from store, click to chat, localised inventory, pre-order and shop-the-look. Multi-channel updates for the year ahead include click & return, click & collect and dynamic content. This will be combined with the roll-out of Private Client Services and a WeBoutique launch.

The focus on customer experience remains at the centre of everything we will do in the coming year, from exceptional products to digital projection, to marketing communications and our updated in-store experience. As a leading luxury global menswear brand, our customers should expect nothing less.

Andrew Maag
Chief Executive

Established 1893
Bourdon House, 2 Davies Street, London, England
Chief Executive Officer Andrew Maag
Chief Financial Officer Gary Stevenson
www.dunhill.com

Chloé

Chloé is the most naturally feminine Parisian fashion Maison, located at the intersection of couture savoir faire and youthful attitude. The Maison was founded 65 years ago by Gaby Aghion who rejected the stiff formality of the 1950s, creating soft, body-conscious clothes from fine fabrics, calling them 'luxury prêt-à-porter'. Today, Chloé continues to embody the free spirit and values of femininity, modernity, effortlessness and grace.

La Maison Chloé, Paris

- Appointment of a new Creative Director, Natacha Ramsay-Levi.
- Debut of two new bags from her first runway collection, *Drew Bijou* and *Roy*.
- Opening of Maison Chloé with an inaugural exhibition, *Femininities – Guy Bourdin*.

Chloé unveiled a new space, Maison Chloé, an intimate five-floor home adjacent to its Parisian headquarters in July 2017. Collection-based exhibits and contemporary artistic expressions – from Gaby Aghion to the Chloé girls of today – will reflect the ongoing story of how Chloé has given women the freedom to be themselves. The photographer Guy Bourdin was the focus of Maison Chloé's first temporary exhibition curated by Judith Clark, *Femininities – Guy Bourdin*. Maison Chloé also functions as a press and commercial showroom, providing a space to present the seasonal collections for both Chloé and See By Chloé.

In April, Chloé announced the appointment of Natacha Ramsay-Levi as Creative Director for ready-to-wear, leather goods, and accessories. Her first runway show took place at the Maison Chloé on the Spring-Summer 2018 calendar in September and asserted her unique interpretation of the feminine house codes. In this way, she has become our lead Chloé girl, fully embracing the Chloé spirit, while upholding the independent and intellectual spirit of Gaby Aghion, who once said, "You must dare". Her approach: to give women the opportunity to show their inner strength, not their power.

Received positively by press and trade alike, the collection asserted several strong statements including two key new bag designs. Marking a continuity, the *Drew Bijou* revisits the *Drew*, an iconic Chloé bag from 2014, while the *Roy* offers a new design with signature features that make it a standout day bag.

On WeChat in the People's Republic of China, the Maison successfully completed its first-ever WeChat commerce test by opening a 'WeBoutique' in August to launch an exclusive version of the *Faye* day bag in time for Chinese Valentine's Day.

Chloé continues its commitment to support emerging fashion talent by awarding the Chloé Prize at the annual Festival d'Hyères.

Geoffroy de La Bourdonnaye
Chief Executive

Established 1952
5-7 Avenue Percier, Paris, France
Chief Executive Officer Geoffroy de La Bourdonnaye
Chief Financial Officer Carole Chevron
www.chloe.com

For over a century, Montblanc's writing instruments have been the symbol of the art of writing and the favourite companions of the successful individuals who led the way in the world of art, politics and science. Driven by its passion for craftsmanship and creativity, Montblanc elevated itself to become the Maison of the Fine Lifetime Companions, providing elegant, sophisticated and innovative creations also in the fields of Haute Horlogerie, fine leather and jewellery.

Montblanc Manufacture, Villeret, Switzerland

- Montblanc introduced a new collection of writing instruments related to its co-operation with UNICEF.
- In the leather goods segment, the Maison introduced the *1926 Heritage* collection, pairing fine craftsmanship with a distinctively vintage look.
- The Maison will celebrate 160 years of fine watchmaking heritage by launching two key lines: *Star legacy* and the *Montblanc 1858* collections.

Starting with a major launch event in New York and supported by a global digital campaign, Montblanc introduced a new collection of writing instruments related to the renewed co-operation with UNICEF: Montblanc *Meisterstück, Writing is a Gift*. Each product purchased from the collection raises an amount that will be donated towards improving learning conditions for over five million children around the world by providing quality learning materials and better teaching.

In writing instruments, the Maison's focus on high artistry writing instruments was emphasised again with the *Homage to Johannes Kepler* collection, the highlight being the *Stella Nova Limited Edition 1*, a one-of-a-kind piece that masterfully combines the finest materials with the most expert techniques to push the limits of craftsmanship.

In the leather goods segment, the Maison introduced the *1926 Heritage* collection, pairing fine craftsmanship with a distinctively vintage look. For the first time, Montblanc has crafted a whole collection in vegetable-tanned leather, treated in the great Tuscan tradition, to give each piece its rich dark brown patina and worn-in charm.

In fine watchmaking, Montblanc reinvented its iconic *Timewalker* collection, capturing the spirit of racing, directly inspired by the legendary professional Minerva timepieces from the beginning of the 20th century when Minerva was one of the leading Manufactures in the creation of counters and stopwatches.

Communication campaigns in the year included PR events in cities such as New York, London, Shanghai, Singapore, and Florence. In the People's Republic of China, the Maison introduced Yang Yang as a new brand ambassador, targeting the millennial clientele of Montblanc in Asia. With the launch of the first luxury smartwatch – the *Montblanc Summit* – which combines both the timelessness of Swiss watchmaking and advanced wearable technologies, the Maison has proven its ability to present digital innovation.

During the year Montblanc further accelerated the roll-out of the NEO retail concept to flagship boutiques in strategic cities such as Paris, Dubai, Zurich and Amsterdam, reaching a network of 75 boutiques equipped with the new retail concept.

In 2018, the Maison will celebrate 160 years of fine watchmaking heritage with the Minerva manufacture, founded in 1858, by launching two key lines: *Star legacy*, the historical iconic Montblanc watch collection, and the *Montblanc 1858* collection, expressing the new spirit of mountain exploration. Also, a new travel line will be launched, elevating Montblanc once more towards a luxury lifestyle positioning.

Nicolas Baretzki
Chief Executive

Established 1906
Hellgrundweg 100, Hamburg, Germany
Chief Executive Officer Nicolas Baretzki
Chief Financial Officer Hendrik Bitterschulte
www.montblanc.com

PETER MILLAR

Peter Millar designs classic, luxury sportswear embracing timeless style with a modern twist. Displaying superior craftsmanship, unexpected details, and the highest quality materials from the finest mills in the world, Peter Millar lifestyle apparel offers a distinctive vision of casual elegance.

Peter Millar boutique, 313 Worth Avenue, Palm Beach, Florida

- The opening of branded boutiques at The Broadmoor resort in Colorado Springs and in the greater Dallas and Nashville markets highlighted the Maison's growth strategy over the past year.
- The continuous improvement of its website and more refined digital marketing campaigns led to measurable growth in brand awareness.
- Peter Millar will continue to refine its main product ranges, *Peter Millar Collection*, *Crown*, and *Crown Sport*.

One of the fastest growing and most respected brands in luxury apparel, Peter Millar enjoys distribution through the finest specialty retail stores, prestigious resorts, and the most exclusive country clubs in the world, as well as through its own branded boutiques and online store. Strong relationships, exceptional product offerings and a premier level of customer service have cultivated an extraordinarily loyal clientele around the world.

The Maison continued to execute its growth strategy over the past year, highlighted by the opening of branded boutiques at The Broadmoor resort in Colorado Springs and in the greater Dallas and Nashville markets. Growth within the Maison's sartorially focused *Peter Millar Collection* line and its innovative, performance apparel *Crown Sport* line drove deeper penetration in existing accounts. The Maison's more classically designed *Crown* line also saw continued development and growth.

Peter Millar achieved significant growth in consumer engagement over the past year, supported by the continuous improvement of its US website and more refined digital marketing campaigns. These initiatives led to measurable growth in brand awareness, as evidenced by record website traffic and sales, and will continue to yield favourable returns as the Maison uses this information to enhance the brand experience online and in boutiques.

In January 2018, the Maison acquired Los Angeles based G/FORE, the golf inspired sportswear and accessories brand created and designed by veteran fashion innovator Mossimo Giannulli. G/FORE was launched with the vision of becoming a global lifestyle brand deriving its DNA from the sport of golf and the stylishly rebellious spirit that has earned Mr Giannulli international recognition. Mr Giannulli and his team in Los Angeles will remain responsible for the creative direction, design, and marketing, and Peter Millar will operate back office functions from its US headquarters.

In the year ahead, Peter Millar will continue to refine its main product ranges – *Peter Millar Collection*, *Crown*, and *Crown Sport*, including the expansion of its *Crown Sport Active* line. The Maison will continue to invest in the online shopping experience and digital marketing campaigns, as well as open more branded boutiques. As always, a focus on outstanding quality and world-class customer service will underpin these initiatives.

Scott Mahoney
Chief Executive

Established 2001
1101 Haynes Street, Suite 106
Raleigh, North Carolina, USA
Chief Executive Officer Scott Mahoney
Chief Financial Officer Jon Mark Baucom
www.petermillar.com

PURDEY

James Purdey & Sons, gunmaker to the British Royal Family, was founded in 1814 and has been crafting the finest shotguns and rifles for more than two centuries. The combination of precision craftsmanship and exquisite finish make Purdey guns the authentic choice for the passionate shooter.

Audley House, the home of James Purdey & Sons since 1882

- The new shotgun and bolt-action rifle are based on historical Purdey designs, but adapted to the demands of modern markets.
- The Purdey Owner's Club programme helped to create stronger relationships with both new and existing clients.
- Clothing, luggage and accessories form a key part of Purdey's international growth strategy.

Purdey emphasises the tradition of fine craftsmanship, which has been at the core of its products for the past 200 years. It also continues to innovate in its traditional gun and rifles sectors, as well as extending its clothing and accessories selection to include a new leather goods range.

Further investment in the Purdey factory in London has facilitated the rigorous testing of a new shotgun and the launch of a bolt-action rifle in 2018. Both products are based on historical Purdey designs, but adapted to the demands of modern markets and manufactured using Purdey's well-respected traditional techniques.

The introduction of new management software has facilitated the continual development of frontline and backroom business processes. The launch of the new website has led to a significant growth in revenue. The Maison has also worked to build stronger relationships with both new and existing clients through the Purdey Owner's Club programme. This has not only increased the Maison's contact with those buying older guns as a foothold investment in the brand, but also helped to increase traffic and sales of clothing and accessories online and in-store.

Purdey's clothing, luggage and accessories form a key part of its international growth strategy, allowing access to markets which are not necessarily able to purchase firearms, through a fuller range of products appealing to the luxury lifestyle consumer. The Maison has increased its global footprint through working with selected distributors in Europe, North America, Japan, Australasia and South Africa. In addition, it has gained new UK listings in Harrods and Mr Porter, and has expanded collaborative relationships with Officine Panerai and Montblanc.

Purdey continues to support the shooting community through the Purdey Awards for Game and Conservation, which are well established as a driving force in promoting greater awareness of the synergy between shooting and conservation. This is being enhanced by the Maison's support for the Eat Game Awards.

In the year ahead the Maison will be building on its new product ranges and wholesale growth, alongside continued focus on growing its new investments both in the UK and abroad, while preserving Purdey's authenticity and heritage.

James Horne
Chief Executive

Established 1814
Audley House
57-58 South Audley Street, London, England
Chief Executive Officer James Horne
Chief Financial Officer Colin Sturgess
www.purdey.com

Regional & Central Support

Richemont has shared service platforms around the world as well as central support services such as legal, logistics, IT, human resources, real estate and finance. Operating 'behind the scenes', these local platforms and global functions support all of our Maisons, enabling them to focus on their strengths in design, creation, sales and marketing. The costs of the regional platforms are fully allocated to our Maisons. The costs of central support services are partly allocated to our Maisons; the remaining amount is reported as corporate costs.

RICHEMONT

Richemont

Richemont's regional and global support functions enable our Maisons to enter new markets more easily and, aided by in-house tools, support our teams and development initiatives. With some 6 000 employees directly employed by our subsidiaries, these functions make a regular and significant contribution to the Group's sales growth and operating margins. The following section highlights specific developments during the year under review.

REGIONAL PLATFORMS

Europe, Middle East, Africa and Latin America

This year was a pivotal year to refocus our organisation on business development and partnership with the Maisons, with a change of mindset and culture towards more empowerment, engagement and collaboration.

At the same time, our Fashion & Accessories Maisons Dunhill, Chloé, and Serapian were integrated into the European Distribution set-up and started using our European Client Relation Centre ('CRC') processes and capabilities in Amsterdam. Seventeen countries from Africa, CIS and Israel were also integrated into the European Distribution model.

Our Middle East platform developed a number of operational improvements, notably the creation of a subsidiary in Saudi Arabia to internalise the business operated by distributors, and the opening of a 4 300m^2 new Operations Centre in the Dubai Duty Free Zone.

In Latin America, following the integration and development of the Montblanc business in Brazil, the platform has improved and simplified the operational structure and processes in that country. The region was sadly hit by an earthquake in Mexico and by a series of hurricanes in the Caribbean. Richemont decided to help the earthquake victims by supporting two non-political and non-religious foundations acting in vulnerable and poor communities.

Asia Pacific

This year has been an eventful one, with many internal projects and business development opportunities and challenges. In terms of organisation, we enhanced the quality, breadth and depth of the services provided to the Maisons and the Group.

Many projects were either initiated or completed during the year. One of the most critical is the preparation for the next roll-out of our integrated Enterprise Resource Planning ('ERP') system in the People's Republic of China. We also achieved Authorised Economic Operator ('AEO') certification in the People's Republic of China, which will allow us to further improve our efficiency in terms of logistics. In addition, we rolled-out our first e-commerce operation in South Korea, which also provides fulfilment for our partners. Lastly, our real estate team was able to successfully renegotiate a number of leases in key locations and to secure locations in new developments in the People's Republic of China.

Americas

Richemont North America continued to focus on key initiatives relative to its core operational activities, including efficiency improvements relative to its overall North American logistics operations, the roll-out of certain point of sale system enhancements, and the reorganisation of its overall operational structure. These initiatives are aligned with our ongoing goal of further realising efficiencies and bringing about organisational changes in tandem with our business development and transformation strategy needs within the region.

Japan

Richemont Japan sales benefited from positive factors mainly stemming from the Yen weakening and continuous growth in tourists. At the same time, it reconfirmed resilient local demand, with a successful expansion of the Maisons' retail businesses and the opening of the first Alaïa boutique. The region further enhanced service levels for both retail and wholesale customers and continued to provide a highly satisfactory partnership to Maisons in terms of support functions, Customer Service/CRC and digitalisation.

CENTRAL SUPPORT FUNCTIONS

Information Technology

In Information Technology, the Group integrated fashion-specific components into its template solution, offering new capabilities. In e-commerce the Group extended its scope to South Korea.

Supply Chain and Procurement

In the Supply Chain and Procurement function, the Group continued the logistics re-engineering and investment programmes launched in Switzerland and the Middle East. Further logistics integration for the Fashion & Accessories Maisons, initiated in 2015, will continue during 2018. According to Richemont's Risk Management Programme, the Group Supply Chain Compliance Department continues to extend its Awareness & Enforcement plan, both up- and down-stream, in order to assure continuous market access. Separately, the Procurement organisation continued to generate savings while establishing best practices and leverage throughout the Group, progressively increasing its scope of support.

Real Estate

The Real Estate function supported the Maisons in their acquisition of boutiques and throughout major construction projects.

The main boutique projects were Van Cleef & Arpels in Osaka, Alaïa in London, and Cartier in San Francisco.

This year the main building projects were: in Switzerland for Richemont Distribution at Villars-sur-Glâne and for the Cartier Manufacture at Glovelier; and in Paris for Chloé.

Component manufacturing

Richemont's internal manufacturing entities play an important role in the Maisons' sourcing strategy, with a secure and competitive offer in both watch and jewellery components. Our efforts will be continued during the next year, to ensure business continuity as well as efficiency by pooling the Group's overall capacities while maintaining the ability to rebound.

Initiatives have been launched in precious metal refining and transformation, to improve lead times, and in critical components sourcing.

Research & Innovation

In a challenging environment where technology, society and competition are changing rapidly and radically, supporting the evolution of our products and services remains a priority.

Research & Innovation teams are working in close relationship with our Maisons to deliver innovative solutions to bring more value to our customers.

In collaboration with a dense network of scientific, academic and industrial partners in the campus of Microcity in Neuchâtel, our team develops both incremental and disruptive solutions in several areas of expertise, such as reliability and performance, materials and manufacturing processes.

Financial review

in € millions	March 2018	March 2017	% change
Sales	**10 979**	10 647	+3%
Cost of sales	**(3 829)**	(3 848)	
Gross profit	**7 150**	6 799	+5%
Net operating expenses	**(5 306)**	(5 035)	+5%
Operating profit	**1 844**	1 764	+5%
Net financial (costs)/income	**(150)**	(160)	
Share of post-tax results of equity-accounted investments	**(41)**	(34)	
Profit before taxation	**1 653**	1 570	+5%
Taxation	**(432)**	(360)	+20%
Profit for the year	**1 221**	1 210	+1%
Analysed as follows:			
Attributable to owners of the parent company	**1 221**	1 210	
Attributable to non-controlling interests	**–**	–	
Profit for the year	**1 221**	1 210	+1%
Earnings per share – diluted basis	**€ 2.158**	€ 2.141	+1%

Sales

Sales for the year increased by 3% at actual exchange rates and by 8% at constant rates, mainly driven by jewellery. Excluding exceptional watch inventory buy-backs from multi-brand retail partners, amounting to € 203 million in the year under review and € 278 million in the prior year, sales at constant exchange rates rose by 7%.

At constant exchange rates all regions grew, with the exception of Europe. Asia Pacific enjoyed double digit growth; the Americas and Japan posted mid to high single digit sales increases before accounting for adverse exchange rate impacts. Retail performance was strong, reflecting solid jewellery and watch sales; wholesale sales declined.

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

Gross profit

Gross profit increased by 5% to € 7 150 million in value terms. The gross margin improved by 120 basis points to 65.1%, with higher capacity utilisation and a larger share of retail compensating for a buy-back related charge of € 135 million. Adverse currency effects negatively impacted gross margin by 40 basis points compared to the previous year.

Operating profit

Operating profit grew by 5% with an operating margin of 16.8%. Excluding one-time net charges of respectively € 208 million in the year under review and € 109 million in the prior year, operating profit for the year would have increased by 10%. The current year's one-time charges primarily relate to inventory buy-backs and portfolio transactions.

Net operating expenses increased by 5% on a reported basis. When including the above-mentioned charges, but excluding the prior year's gain on the sale of investment properties of € 178 million, net operating expenses increased by 2%. The 2% growth in selling and distribution expenses reflects strong retail sales, with associated higher variable expenses driving the expansion of the cost base, fixed selling and distribution expenses being in line with the previous year. Communication expenses declined by 1% and administrative expenses grew by 3%.

Profit for the year

Profit for the year rose by 1% to € 1 221 million. This increase reflects a higher operating profit and a higher effective tax rate. Net finance costs, at € 150 million, were broadly in line with the prior year.

Earnings per share (1 A share/10 B shares) increased by 1% to € 2.158 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 year ended 31 March 2018 would be € 1 339 million (2017: € 1 079 million). Basic HEPS for the year was € 2.373 (2017: € 1.913). Diluted HEPS for the year was € 2.367 (2017: € 1.909). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 28 of the Group's consolidated financial statements.

Cash flow

Cash flow generated from operations rose by € 827 million to € 2 723 million. The increase reflects a higher operating profit and lower working capital requirements (€ 234 million inflow compared to a € 29 million absorption in the prior year). In addition, the non-recurrence of a € 268 million one-time contribution made in the prior year to a defined benefit pension plan for UK-based employees contributed favourably.

Net investment in tangible fixed assets amounted to € 436 million. This is predominantly a result of selective investments relating to the renovation of existing boutiques in the Maisons' store network and investments in external points of sale with our multi-brand retail partners. The Group continued to invest in manufacturing operations, its central logistic centre in Switzerland and IT infrastructure.

The 2017 dividend of CHF 1.80 per A share and CHF 0.18 per B share was paid in September 2017 and amounted to CHF 1 016 million or € 918 million (2016: € 878 million).

During the year under review, the Group acquired some 1.9 million 'A' shares to hedge commitments under its executive stock options programme. The cost of these purchases, which was partly offset by proceeds from the exercise of stock options by executives and other activities linked to the currency hedging programme, led to a net cash outflow of € 71 million.

Balance sheet

Inventories at the year-end amounted to € 4 943 million (2017: € 5 302 million), representing 20.8 months of cost of sales, an improvement of 1.6 months compared to the prior year.

At 31 March 2018, the Group's net cash position amounted to € 5 269 million (2017: € 5 791 million). Most of the decrease versus the prior year can be attributed to an investment in Dufry, a Swiss leading travel retail specialist, the acquisition of investment properties as well as the internalisation of wholesale activity and external points of sales in Saudi Arabia and the United Arab Emirates. 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. Bank loans to finance local operating entities are denominated in their local currency.

Following the € 4 billion bond issue completed in March 2018, shareholders' equity represented 57% of total equity and liabilities, to be compared with 77% in the prior year.

Acquisition of the YOOX NET-A-PORTER GROUP

In March 2018, Richemont launched a voluntary tender offer for all issued and to be issued ordinary shares of YOOX NET-A-PORTER GROUP ('YNAP') that the Group or its affiliates do not already own. On 17 May 2018, Richemont announced that the total number of YNAP shares tendered in the offer, together with those shares already held by the Group, amounted to 94.999% of YNAP's ordinary share capital. As such, the minimum acceptance level condition has been exceeded and the material adverse change condition (section 2 of Richemont's 17 May company announcement) being fulfilled, the offer is now unconditional.

As a result, Richemont will book a one-time, non-cash, accounting gain of approximately € 1.4 billion on its 49% equity-accounted interest in YNAP in its financial statements for the half-year ending 30 September 2018. The gain has been generated by the differential between the fair value of Richemont's stake and the € 1.1 billion carrying value on the balance sheet. The non-cash gain will be reported under share of post-tax results of equity accounted investments.

Proposed dividend

The Board has proposed a dividend of CHF 1.90 per 1 A share/10 B shares.

The dividend will be paid as follows:

	Gross dividend per 1A share/10B shares	Swiss withholding tax @ 35%	Net payable per 1A share/10B shares
Dividend	CHF 1.900	CHF 0.665	CHF 1.235

The dividend will be payable following the Annual General Meeting which is scheduled to take place in Geneva on Monday, 10 September 2018.

The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Tuesday, 18 September 2018. Both will trade ex-dividend from Wednesday, 19 September 2018.

The dividend on the Compagnie Financière Richemont SA 'A' shares will be paid on Friday, 21 September 2018. The dividend in respect of the 'A' shares is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Thursday, 27 September 2018. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in Swiss francs to non-CMA residents. Further details regarding the dividend payable to South African Depository Receipt holders may be found in a separate announcement dated 18 May 2018 on SENS, the Johannesburg stock exchange news service.

Review of operations

Sales by region

in € millions	31 March 2018	31 March 2017	Movement at: Constant exchange rates*	Movement at: Actual exchange rates
Europe	**2 986**	3 068	-2%	-3%
Asia Pacific	**4 352**	3 903	+17%	+12%
Americas	**1 805**	1 781	+8%	+1%
Japan	**980**	1 010	+6%	-3%
Middle East and Africa	**856**	885	+2%	-3%
	10 979	10 647	+8%	+3%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2017.

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

Europe
In the year under review, Europe accounted for 27% of overall sales. Full year sales declined by 2%, adversely impacted by the relative strength of the euro, inventory buy-backs in the fourth quarter of the year, tight inventory control at the external points of sale of the Group's multi-brand retail partners and the optimisation of the wholesale distribution network. Sales in France contracted and were in line with prior year in Switzerland. The United Kingdom enjoyed good growth. Sales of all product lines were broadly in line or positive compared to prior year, with the exception of watches. Retail sales growth was subdued, whilst sales in the wholesale channel declined.

Asia Pacific
Sales in Asia Pacific registered strong broad-based double digit growth. This performance was led by China, Hong Kong, Korea and Macau, and, at product level, driven by jewellery and watches. Both retail and wholesale channels saw double digit growth.

The region accounted for 40% of Group sales.

Americas
Sales in the Americas grew by 8%, driven by strong retail sales, supported by jewellery and clothing. Retail sales also reflected increased online sales and the favourable full year impact of the reopening of the Cartier flagship store in New York in September 2016. Wholesale and watch sales both declined, impacted by inventory management initiatives. The region's contribution to Group sales amounted to 16%.

Japan
Japan posted a 6% increase in sales, favourably impacted by increased tourism purchases. The year under review also benefited from softer comparative figures and the full year contribution from the reopened Cartier and the newly opened Piaget and Van Cleef & Arpels flagship stores, all in Ginza, Tokyo.

Good sales growth in jewellery, watches as well as in the retail channel more than offset the decline in wholesale sales.

Middle East and Africa
Sales in the Middle East and Africa increased by 2%, benefiting primarily from higher tourist spending but were adversely impacted by inventory buy-backs and geopolitical uncertainties. Jewellery, watches and writing instruments posted moderate growth.

Sales by distribution channel

in € millions	31 March 2018	31 March 2017	Movement at: Constant exchange rates*	Movement at: Actual exchange rates
Retail	**6 914**	6 389	+14%	+8%
Wholesale	**4 065**	4 258	- 1%	- 5%
	10 979	10 647	+8%	+3%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2017.

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

Retail

The contribution of retail sales, through the Maisons' online stores and 1 123 directly operated boutiques, has increased to 63% of Group sales, up from 60% in the prior year.

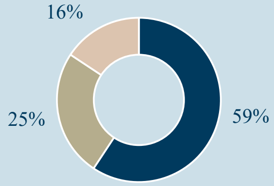
The double digit growth generated in the retail channel was fuelled by jewellery and watches with six net store openings, including the internalisation of external points of sales.

All regions experienced double digit growth, with the exception of Europe, which posted subdued growth.

Wholesale

The Group's wholesale business, including sales to franchise partners, reported a 1% decline. All regions other than Asia Pacific showed lower sales. Sales were impacted by the previously described watch inventory management initiatives.

Sales and operating result by segment



Jewellery Maisons

in € millions	31 March 2018	31 March 2017	Change
Sales	**6 447**	5 927	+9%
Operating result	**1 926**	1 682	+15%
Operating margin	**29.9%**	28.4%	+150 bps

At actual exchange rates, sales at Cartier and Van Cleef & Arpels were driven by high single digit growth in jewellery and double digit growth in watches, on the back of the prior year's exceptional inventory buy-backs and the success of the relaunched *Panthère* collection, both at Cartier. The performance of the Jewellery Maisons' directly operated boutiques and, regionally, Asia Pacific and the Americas were particularly noteworthy.

The € 244 million increase in operating result reflects robust sales and cost control as well as the non-recurrence of the € 151 million one-time charges in the prior year. Consequently, operating margin improved by 150 basis points to 29.9%.

Sales and operating result by segment continued

Specialist Watchmakers

in € millions	31 March 2018	31 March 2017	Change
Sales	**2 714**	2 879	-6%
Operating result	**262**	226	+16%
Operating margin	**9.7%**	7.8%	+190 bps

The 6% decline in Specialist Watchmakers' sales reflects inventory control measures, including buy-backs, and distribution optimisation initiatives undertaken in the year under review. Wholesale sales registered a double digit decrease, with Europe, the Americas and Middle East and Africa particularly impacted. Excluding inventory buy-backs in both years, sales would have been broadly in line. Sales in the Specialist Watchmakers' directly operated boutiques enjoyed a double digit increase, sustained by strong demand for watches and Piaget jewellery. Sales in Asia Pacific posted growth.

Higher capacity utilisation, a larger share of retail and tight cost control led to a 16% improvement in the operating result to € 262 million, notwithstanding the € 203 million sales reduction linked to inventory buy-backs. Consequently, the operating margin for the period increased by 190 basis points to 9.7%.

Other

in € millions	31 March 2018	31 March 2017	Change
Sales	**1 818**	1 841	-1%
Operating result	**(65)**	110	n/a
Operating margin	**-3.6%**	6.0%	n/a

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

Sales were broadly in line with prior year, with growth in Europe and Asia Pacific. The year was marked by continued positive performances at Montblanc and Peter Millar.

In the year under review, the operating result included one-time charges of € 37 million (FY17: € 114 million net gain), relating to the write down of assets at Shanghai Tang and Lancel. Excluding one-time items in both years, operating losses would have been € 28 million in the current year and € 4 million in the prior year.

Corporate costs

in € millions	31 March 2018	31 March 2017	Change
Corporate costs	**(279)**	(254)	+10%
Central support services	**(233)**	(234)	-0%
Other operating income/(expense), net	**(46)**	(20)	n/a

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central support services), as well as other expenses and income which are not allocated to specific business areas. The majority of corporate costs are incurred in Switzerland. Excluding transaction costs relating to portfolio investments, corporate costs grew by 3%.

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

Johann Rupert
Chairman

Burkhart Grund
Chief Finance Officer

Corporate social responsibility

Richemont has a long-standing commitment to doing business responsibly. Building trust in our Maisons and our operating companies lies at the heart of the way we work. Since 2006, Richemont has externally reported its Corporate Social Responsibility ('CSR') progress each year. Internally, Richemont has communicated with the Board, its Audit Committee and CSR representatives.

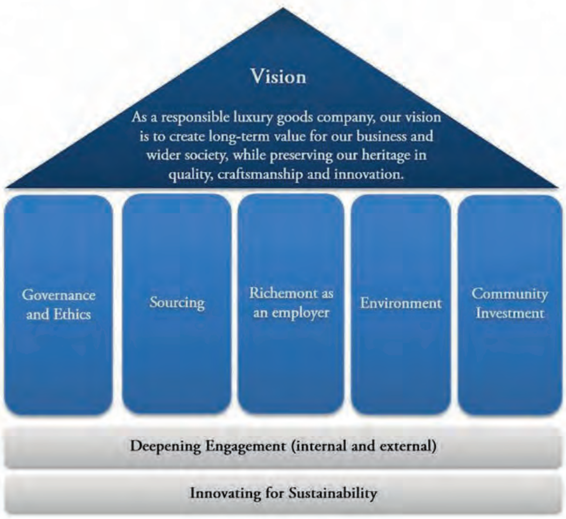
2020 CSR Plan

Richemont's first three-year CSR Plan came to an end in 2017. Following its launch in 2014, the first Plan provided a robust framework to focus efforts and a structured approach to CSR planning and reporting. Building on that progress, Richemont has developed a baseline 2020 CSR Plan. Following its validation by the Board in November, the second three-year plan was launched in December 2017.

The 2020 CSR Plan reflects Richemont's latest materiality analysis and business priorities, and will enable the business to meet evolving stakeholder expectations. Moreover, the Plan consolidates current CSR activities, sets goals and facilitates communication within the Group.

The new Plan was developed by the Group's CSR Committee and participants from Group functions and Maisons. It maintains the previous five areas of focus, called pillars. Each pillar has an owner at Group level, who sets defined commitments and goals, taking account of international best practices.

Schematically, the plan is represented as follows:



Each of the pillars are described in the following paragraphs. The pillars are underpinned by our deepening engagement with internal and external stakeholders, including investors, and our innovative practices.

Governance and Ethics

The Group's activities are guided by a common framework that helps Richemont managers, employees, suppliers and associates to understand our expectations. The framework includes our Code of Business Ethics and Corporate Social Responsibility Guidelines, as well as codes of conduct for employees, suppliers and environmental management. The Group also consults with its largest shareholders to determine their concerns and priorities regarding CSR issues and disclosures.

Each Maison and local Richemont platform has established its own CSR Committee and targets in support of the Group's three-year plan.

Richemont is a participant in the United Nations Global Compact ('UNGC') and publishes an annual 'Communication on Progress'. The Company is also involved in the UNGC's Swiss Network, which provides a local platform for Swiss companies to discuss matters of common interest, including the promotion of human rights and environmental stewardship in their respective global supply chains.

The United Nations' Sustainable Development Goals ('SDGs') provides a framework for businesses to describe their wider contribution to society. Linked to its UNGC commitments, Richemont will develop parts of its own reporting to reflect the SDGs.

Richemont provides details of its tax strategy, governance and risk management framework. Further information can be obtained at www.richemont.com/sustainability/governance-ethics/tax.html

Sourcing

Richemont's full supply chain often lies beyond our direct control. We therefore seek to influence the behaviour of our suppliers through our Supplier Code of Conduct and by collaborating with jewellery and watchmaking peers via the Responsible Jewellery Council. Further details are provided on the following page.

Each year, between 100 and 200 suppliers are audited as part of the regular relationship with our Maisons.

Richemont as an employer

Richemont directly employs some 29 000 people in manufacturing, distribution, retail and administrative functions. Two-thirds of Richemont's employees are based in Europe, primarily in Switzerland, France, the UK and Germany, reflecting the location of our Maisons' manufacturing bases.

Training is a key component of our Maisons' success and is fully integrated in the performance and development appraisal process for all employees. The quality and longevity of our goods rely on highly skilled craftsmen, while our customers' satisfaction relies both on that quality and the passion of retail associates.

To preserve the skills of master craftsmen from one generation to the next, our Maisons engage a number of apprentices each year. Some 600 apprentices and trainees are currently employed.

In Switzerland, the Campus Genevois de Haute Horlogerie (‘Campus’) combines a Learning and Apprenticeship Centre for Haute Horlogerie with the manufacturing facilities of several Maisons. The Geneva Campus is complemented by the Research & Innovation Centre in Neuchâtel, which serves as an innovation incubator for the Group as a whole.

The Group collaborates with the Watchmakers of Switzerland Training and Educational Programme (‘WOSTEP’), which has watchmaking schools in Dallas, Hong Kong, Manchester and Shanghai. Training is also facilitated by the Fondation de la Haute Horlogerie, which promotes the cultural and historical aspects of fine watchmaking.

Separately, the Richemont Retail Academies in Shanghai and Macau provide platforms for recruiting and training personnel for our Maisons’ boutiques across the People’s Republic of China.

Richemont supports The Creative Academy in Milan, which offers students a Master’s programme in Arts in Design. The Academy’s mission is to promote the integration of young talents within the Group.

Environment

Our Environmental Code of Conduct is built on internationally recognised standards for environmental management and includes industry-specific issues.

The Group seeks to minimise its carbon emissions through energy-efficient building design and energy-saving measures in our activities, together with a programme of carbon offset purchases and insetting projects. The costs of offset purchases are re-invoiced to the Maisons to increase awareness and to encourage energy efficiency. Richemont has long-term targets to reduce its overall carbon intensity as well as the environmental impact of its packaging and logistics.

Community Investment

Our Maisons support art and cultural programmes that reflect their historical background and the nature of their products, together with global and local community programmes. Programmes include Cartier Philanthropy, Fondation Cartier pour l’art contemporain, Fondazione Cologni dei Mestieri d’Arte, and Fondation de la Haute Horlogerie. Globally, Richemont supports Peace Parks Foundation and Laureus Sport for Good Foundation.

2018 corporate social responsibility report

Richemont’s corporate social responsibility report, which applies GR1-GR4, will be available from July 2018 at www.richemont.com/sustainability/csr-report.html

Responsible Jewellery Council

The Responsible Jewellery Council (‘RJC’) promotes responsible, ethical, human rights, social and environmental practices in the gold and diamond supply chains. The RJC will bring sapphires, emeralds and rubies into its scope during 2018. The RJC is the leading standard for the watchmaking and jewellery industry and is a member of the ISEAL Alliance.

The RJC’s membership spans from mining houses to the retailers of jewellery and watches. Under the RJC’s certification system, members must be independently certified to verify compliance with the RJC’s stringent Code of Practices (‘CoP’). Since its foundation in 2005 by Cartier and 13 other likeminded businesses, its influence within the industry has grown significantly. The RJC now counts more than 1 100 corporate members.

All of our Maisons using gold and diamonds are certified members. Together, those Maisons account for over 90% of the Group’s consolidated sales.

The RJC’s Chain-of-Custody (‘CoC’) Standard for the precious metals supply chain aims to support claims for responsibly sourced materials produced, processed and traded through the jewellery supply chain. The RJC defines responsibly sourced as: conflict-free at a minimum, and responsibly produced at each step of the supply chain. The CoC certification is voluntary for RJC members and a growing number have chosen to be certified.

The RJC is developing its membership through the Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres et des Perles (‘UFBJO’) in France, the Fondation de la Haute Horlogerie in Switzerland, and the Hong Kong Jewellery & Jade Manufacturers Association (‘HKJJA’) in Hong Kong; integrating more members from the supply chain; and working closely with mining associations. As new standards emerge in the industry, the RJC will study the feasibility of cross-recognition whenever possible. This approach seeks to ease its members’ self-assessment processes.

Further information can be obtained at
www.responsiblejewellery.com

Responsible Jewellery Council

Peace Parks Foundation

Peace Parks Foundation is conquering man-made boundaries in pursuit of a harmonious future for man and the natural world.

The aim to conserve biodiversity is a race against time – one that will be lost to commercial exploitation and population growth, unless the conservation community accelerates its impact on the restoration and transformation of landscapes.

In staying ahead of the curve, Peace Parks Foundation remains focused on engendering passionate commitment for conservation and putting in place innovative strategies to conserve at scale. This is achieved by facilitating the establishment of an interconnected network of transfrontier conservation areas ('TFCAs') across southern Africa, safeguarding the integrity of biological diversity and critical natural resources.

The Foundation's unremitting pursuit to increase proclaimed conservation estate bore fruit this year with approximately 200 000 hectares added to the Great Limpopo TFCA with the establishment of the Greater Libombos Conservancy. Today, southern Africa's peace parks incorporate over half of the declared conservation estate in the region – more than a million square kilometres in size.

Peace Parks Foundation devoted considerable efforts in 2017 to translocating animals from over-populated areas to habitats where the species had become depleted or locally extinct. This rewilding restores the natural balance of previously ravaged conservation areas. In turn this rebuilds their allure as preferred tourism destinations and harnesses potential for sustainable ecotourism development. Over the past year, nearly 4 000 animals, including impala, nyala, buffalo, warthog, giraffe and elephant, were translocated to Kavango Zambezi (KAZA) TFCA, Zinave National Park in the Great Limpopo TFCA, Maputo Special Reserve in the Lubombo TFCA, and Nyika National Park in the Malawi Zambia TFCA.

Through its Rhino Protection Programme, Peace Parks Foundation continued its priority support to key rhino strongholds in South Africa. This included assisting with efforts to save, care for, rehabilitate, and rewild young rhino orphans whose mothers had been killed by poachers

The large-scale conservation efforts of Peace Parks Foundation aim to renew and preserve a natural world that can sustain and enable a tomorrow for man and nature

Zinave National Park is the first conservation area in which the Foundation has officially taken on a co management role. This model of increased involvement is proving very successful with improved joint operational execution, infrastructure development, and anti-poaching impact serving as a flagship for the way forward.

With wildlife crime continuing its devastating impact on conservation efforts, the Foundation escalated its focus on anti-poaching and counter-trafficking by implementing ground-breaking surveillance and rapid response technologies in key rhino strongholds Kruger National Park and the provincial parks of KwaZulu-Natal. In Kruger significant progress was made, with the number of rhinos killed over the past three years reducing by 39 %.

We thank everyone who has joined hands with us to establish and restore secured, protected, and functional ecosystems in pursuit of a healthy and prosperous tomorrow for man and nature.

Contact

Werner Myburgh, CEO, Peace Parks Foundation
Tel: +27 (0)21 880 5100
E-mail: wmyburgh@ppf.org.za
Website: www.peaceparks.org

Laureus

The pioneering work of the Laureus Sport for Good Foundation is a source of pride for all at Richemont.

Laureus Sport for Good is a global charity, formed by Richemont and Daimler in 2000, and now helping hundreds of thousands of children and young people in some 40 ountries around the world. Inspired by Nelson Mandela's incredible speech given at the Laureus World Sports Awards in 2000, our vision is:

"Using the power of sport to end violence, discrimination and disadvantage. Proving that sport can change the world."

We operate through a network of around 130 community based organisations led by local leaders. Each of these is making social change through sport, whether that is boxing in Nairobi, basketball in New Orleans, cycling in Johannesburg, skateboarding in Berlin or playing football in Chennai. All of these programmes have one thing in common – they are not really about sport. We are supporting girls to stay in school and avoid coerced underage marriage; tackling mental health challenges; changing perceptions about people with a disability; encouraging young people in high risk areas to have an HIV/AIDS test and, where necessary, arrange treatment; and helping unemployed young people into jobs or training.

Palestinian and Israeli girls play basketball together for PeacePlayers International

This year's Laureus Sport for Good Award winner was Active Communities Network ('ACN'), founded in South London to tackle knife crime and in Belfast to support mental wellbeing in a city where suicide rates among young males runs very high. 160 000 vulnerable or marginalised young people have benefitted from the programme since 2007, and it has helped 30 000 of them to get into further education, jobs or training. Incredibly, 50 000, nearly 1/3 of all participants, begin to volunteer at ACN or another community organisation to give back to society.

As well as funding, we promote knowledge sharing platforms, where programmes in the Laureus Sport for Good family can learn from each other. We hosted our first Sport for Good European Summit in May 2017 in Stockholm, where over 60 programmes from Europe came together to discuss wide ranging issues, including how to use sport to help to integrate refugees into society.

We are very conscious at Laureus Sport for Good that we could not do our work without the support we receive from Richemont, IWC Schaffhausen, and all their employees who support us throughout the year. Thank you!

For more information, go to www.laureus.com

Board of Directors

1. Johann Rupert
Chairman
South African, born 1950

Mr Rupert was first appointed to the Board in 1988 and served as Chairman from 2002 to 2013. Following a sabbatical year, he was reappointed Chairman in September 2014. He is Chairman of the Nominations Committee and the Senior Executive Committee.

Mr Rupert is the Managing Partner of Compagnie Financière Rupert. He studied economics and company law at the University of Stellenbosch. After working for the Chase Manhattan Bank and Lazard Freres in New York, he founded Rand Merchant Bank in 1979. In 1985, he joined Rembrandt. He founded Richemont in 1988 and became Group Chief Executive. He also served as Chief Executive Officer from 2003 to 2004 and from 2010 to 2013. He is Non-Executive Chairman of Remgro Limited and Chairman of Reinet Investments Manager S.A., the management company of Reinet Investments S.C.A.

Mr Rupert holds honorary doctorates in Law, Economics and Commerce, is the Chancellor of the University of Stellenbosch and is Chairman of the Peace Parks Foundation.

2. Josua Malherbe
Non-Executive Deputy Chairman
South African, born 1955

Mr Malherbe was appointed to the Board in 2010 as a Non-Executive Director and has served as Deputy Chairman since September 2013. He also serves as Chairman of the Audit Committee and is a member of the Strategic Security and Nominations Committees.

He qualified as a Chartered Accountant in South Africa and worked with the predecessor firm of PricewaterhouseCoopers before joining Rand Merchant Bank in 1985. In 1990 he joined Rembrandt Group Limited and was involved with Richemont at that time. Since its formation in 2000, he served first as Chief Executive Officer and then as Deputy Chairman of VenFin Limited until 2009 when that company was acquired by Remgro Limited.

Mr Malherbe continues to serve as a director of Richemont Securities S.A., Remgro Limited, Reinet Investments Manager S.A., Pension Corporation Group Limited, and Renshaw Bay Limited.

3. Jérôme Lambert
Chief Operating Officer
French, born 1969

Mr Lambert was appointed to the Board in 2017 and is a member of the Senior Executive Committee.

He graduated from ESG Management School, Paris and completed post-graduate studies at the Swiss Graduate School of Public Administration.

Prior to joining the Group, he held financial roles in Switzerland's public postal and telecommunications service. Mr Lambert joined Jaeger-LeCoultre in 1996 as the Manufacturer's financial controller and became Chief Financial Officer three years later. In 2002, he was appointed its Chief Executive Officer and served in that role until June 2013. Mr Lambert then served as Chief Executive Officer of Montblanc until March 2017. In addition, Mr Lambert has served as Chairman of A. Lange & Söhne since 2009 and served as its Chief Executive for two years. From 1 April 2017, Mr Lambert served as Head of Operations responsible for central and regional services and all Maisons other than Jewellery and Specialist Watchmakers. In November 2017, Mr Lambert was appointed as Chief Operating Officer.

4. Burkhart Grund
Chief Finance Officer
German, born 1965

Mr Grund was appointed to the Board in 2017 and is a member of the Senior Executive Committee.

He is a graduate in Business Administration of Georgia Southern University, US and completed his graduate studies in International Finance at Münster University, Germany.

Prior to joining the Group, he held various positions in the Finance department at Wella AG and was appointed Chief Financial Officer of the Wella subsidiary in Chile in 1996.

He moved to Richemont in 2000 to be Chief Financial Officer of Montblanc France, a position which he held until 2006 when he joined Van Cleef & Arpels as Vice President and Chief Financial Officer. In 2016, Mr Grund was appointed Group Deputy Finance Director, and became a member of the Group Management Committee. In August 2017, Mr Grund was appointed Group Chief Finance Officer.

5. Nikesh Arora
Non-Executive Director
Indian, born 1968

Mr Arora was appointed to the Board as a Non-Executive Director in 2017 and is a member of the Nominations Committee.

He holds degrees from the Indian Institute of Technology, Boston College, and Northeastern University.

In the US, Mr Arora has held a number of senior positions in the finance and technology sectors. He was Senior Vice President and Chief Business Officer of Google until 2014. He was most recently President and COO of Softbank, the global telecommunications company and technology investor. Prior to that Mr Arora has worked at Deutsche Telekom, Putnam Investments and Fidelity Investments.

6. Nicolas Bos
President & Chief Executive Officer of Van Cleef & Arpels
French, born 1971

Mr Bos was appointed to the Board in 2017 and is a member of the Senior Executive Committee.

He joined Richemont in 1992, initially working with the Fondation Cartier pour l'Art Contemporain in Paris. In 2000, he joined Van Cleef & Arpels as International Marketing Director. In 2009, he became Vice President and Creative Director and in 2010 was also appointed President of Van Cleef & Arpels, Americas. In January 2013, Mr Bos became global President and Chief Executive Officer of Van Cleef & Arpels.

7. Clay Brendish
Non-Executive Lead Independent Director
British, born 1947

Mr Brendish was appointed to the Board as a Non-Executive Director and the Lead Independent Director in 2017. He also serves as the Chairman of the Strategic Security and Compensation Committees and is a member of the Audit and Nominations Committees.

He is a graduate of Imperial College, London and is a Chartered Engineer.

His professional background is in the Information Technology and communications industry, having founded Admiral plc in 1979 (now part of CGI UK). He was a former Non-Executive Director of BT plc and Chairman of the Met. Office. He was also a Trustee of the Economist Newspaper. Prior to his nomination to the Board of Richemont, Mr Brendish served as an advisor to Richemont's Strategic Security Committee.

8. Jean-Blaise Eckert
Non-Executive Director
Swiss, born 1963

Maître Eckert was appointed to the Board as a Non-Executive Director in 2013 and is a member of the Audit and Nominations Committees.

He graduated from Neuchâtel University, Switzerland, and holds an MBA from Berkeley, University of California.

Maître Eckert has been a practising lawyer since 1989 and a Partner of Lenz & Staehelin since 1999, advising on national and international corporate, commercial and tax law.

Maître Eckert serves on the board of several Swiss companies, including Ladurée International SA and UL (Underwriters Laboratories) AG, and on the board of several not-for-profit organisations, including the Fondation pour la Musique et la Culture, Genève. He is also a member of a number of Swiss and international professional organisations.

Board of Directors continued

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9. Keyu Jin
Non-Executive Director
Chinese, born 1982

Dr Jin was appointed to the Board as a Non-Executive Director in 2017 and is a member of the Nominations Committee.

She is a Tenured Professor of Economics at the London School of Economics.

From Beijing, Dr Jin holds a BA, MA and PhD from Harvard University. Her specific areas of expertise are international macroeconomics, international finance, and the Chinese economy.

10. Ruggero Magnoni
Non-Executive Director
Italian, born 1951

Mr Magnoni was appointed to the Board as a Non-Executive Director in 2006 and is a member of the Audit and Nominations Committees. In 2006, he became a Partner of Compagnie Financière Rupert.

He graduated from Bocconi University, Italy and holds an MBA from Columbia University.

Mr Magnoni joined Lehman Brothers in 1977 and held a number of senior roles across that firm's international activities. In 2000, Mr Magnoni became Head of the European Private Equity division and Vice Chairman of Lehman Brothers Inc and in 2002, Chairman of Lehman Brothers International Italy. Between 2008 and 2013, Mr Magnoni served as Chairman of Nomura International plc's Investment Banking division for Europe, Middle East and Africa. He was a member of the Board of Overseers of Reinet Investments S.C.A. up to September 2009.

He is involved with various philanthropic activities, including Fondazione Laureus Italia. He is a member of the Advisory Committee of the Bocconi Foundation.

11. Jeff Moss
Non-Executive Director
American, born 1970

Mr Moss was appointed to the Board as a Non-Executive Director in 2016 and is a member of the Nominations Committee and the Strategic Security Committee.

Mr Moss is a computer and internet security expert, and is the founder of the Black Hat Briefings and DEF CON. Previously he has served as Chief Security Officer of the Internet Corporation for Assigned Names and Numbers ('ICANN') and as a director at Secure Computing Corporation.

He currently serves as: a member of the U.S. Department of Homeland Security Advisory Council; a member of the Council on Foreign Relations; a Non-resident Senior Fellow at the Atlantic Council; a member of the Georgetown University School of Law Cybersecurity Advisory Committee; and a commissioner on the Global Commission for the Stability of Cyberspace ('GCSC').

12. Vesna Nevistic
Non-Executive Director
Swiss, born 1965

Dr Nevistic was appointed to the Board as a Non-Executive Director in 2017 and is a member of the Nominations Committee.

She holds Swiss and Croatian citizenship and has a PhD in Electrical Engineering from the Swiss Federal Institute of Technology (ETH) Zürich.

She has gained extensive international experience in consulting and investment banking, having been a Partner at McKinsey and Managing Director at Goldman Sachs. From 2009 to 2012, Dr Nevistic was a Group Managing Director and Head of Corporate Development at UBS, where she was part of the senior executive team that restructured the bank's operations following the financial crisis.

She currently runs her own advisory boutique, focusing on corporate strategy and business transformations, and also serves as a Non-Executive Director at Samskip BV and Samskip hf.

Dr Nevistic supports various non-profit organisations and is a member of the Finance Committee of the Swiss Study Foundation, and was a trustee at the Swiss Institute / Contemporary Art New York.

13. Guillaume Pictet
Non-Executive Director
Swiss, born 1950

Mr Pictet was appointed to the Board as a Non-Executive Director in 2010 and is a member of the Audit, Compensation and Nominations Committees. He is a graduate of HEC, Lausanne University. His career in private banking has included membership of Darier Hentsch & Cie's senior management. He has also served as an international economist in Switzerland's Federal Department of Economic Affairs.

Since 1996, Mr Pictet has been Founding Partner and Vice Chairman of de Pury Pictet Turrettini & Cie SA. He also serves as Chairman of Sécheron SA.

14. Alan Quasha
Non-Executive Director
American, born 1949

Mr Quasha was appointed to the Board as a Non-Executive Director in 2000 and is a member of the Nominations Committee.

He is a graduate of Harvard College, Harvard Business School, Harvard Law School, and New York University Law School. After practising law, he moved into commerce and since 1987 has been President of Quadrant Management Inc.

Mr Quasha served as a director of Richemont SA, Luxembourg from 1988 until 2000. He was Chief Executive Officer of North American Resources Limited between 1988 and 1998. He was a member of the Board of Overseers of Reinet Investments S.C.A. up to September 2009; he has indirect interests in certain investments held by Reinet and is involved as a manager of a fund in which Reinet has invested. He was a director of American Express Funds, a former Governor of the American Stock Exchange, and a former Chairman of the Visiting Committee of the Weatherhead Centre for International Affairs.

Mr Quasha is currently Managing Partner of Vanterra Capital; Chairman of Brean Murray; Carret & Co; and Carret Asset Management Group LLC. He is also Chairman of the Brain Trauma Foundation.

15. Maria Ramos
Non-Executive Director
South African, born 1959

Ms Ramos was appointed to the Board as a Non-Executive Director in 2011 and is a member of the Compensation and Nominations Committees.

She holds degrees from the University of the Witwatersrand and the University of London, and is a member of the Institute of Bankers. She also holds honorary doctorates from the University of Stellenbosch and Free State University.

Previous positions held by Ms Ramos include Director-General of the National Treasury of South Africa and Group Chief Executive of Transnet Limited. She has also served as a Non-Executive and Independent Director on the boards of Sanlam Limited, SABMiller PLC, and Remgro Limited.

She is currently Chief Executive Officer of Barclays Africa Group, a diversified financial services group with operations in twelve African markets. In addition, she is the current Chairman of the Banking Association of South Africa and serves on the Executive Committee of the World Economic Forum's International Business Council and the Global Board of Advisors Council on Foreign Relations (US). She is also a member of the Group of Thirty.

16. Anton Rupert
Non-Executive Director
South African, born 1987

Mr Anton Rupert was appointed to the Board as a Non-Executive Director in 2017 and is a member of the Strategic Security and Nominations Committees.

He brings valuable insight into changing consumer behaviour in digital marketing and web-based commerce. Over the past eight years, he has had extensive exposure to all of the Group's businesses.

Board of Directors continued

17. Jan Rupert
Non-Executive Director
South African, born 1955

Mr Jan Rupert was appointed to the Board in 2006 and is a member of the Strategic Security and Nominations Committee. He joined the Group as Manufacturing Director in 1999 and served as an Executive Director from 2006 to 2012. Mr Jan Rupert has served as a Non-Executive Director since 2012.

Mr Jan Rupert is a graduate in mechanical engineering from Stellenbosch University, South Africa and has had an extensive career in production management in the tobacco and watchmaking industries. Prior to joining Richemont, he was Manufacturing Director of Rothmans International.

18. Gary Saage
Non-Executive Director
American, born 1960

Mr Saage was appointed to the Board in 2010 and is a member of the Nominations Committee.

Mr Saage is a graduate of Fairleigh Dickinson University, US, and is a Certified Public Accountant.

Following an early career in public accounting with Coopers & Lybrand, he joined Cartier's US business in 1988. Between 1988 and 2006, he served as Chief Operating Officer of Richemont North America and of Alfred Dunhill in London. From 2006 to 2010, he served as Group Deputy Finance Director, subsequent to which he was appointed Chief Financial Officer, a position he held from 2010 to 31 July 2017. Since 1 August 2017, he has been serving as a Non-Executive Director. In addition, he is the Chairman of Richemont North America and a Director of Peter Millar LLC.

Mr Saage is also a Non-Executive Director of Arendale Holdings Corp.

19. Cyrille Vigneron
President & Chief Executive Officer of Cartier
French, born 1961

Mr Vigneron was appointed to the Board in 2016 and is a member of the Senior Executive Committee.

On 1 January 2016, he succeeded Mr Stanislas de Quercize as Chief Executive Officer of Cartier. Prior to his new role, Mr Vigneron was President of LVMH Japan and worked with Richemont from 1988 to 2013: principally with Cartier, rising to become Managing Director of Cartier Japan, President of Richemont Japan, and finally, Managing Director of Cartier Europe.

Former members of the Board

Mr Yves-André Istel was appointed to the Board as a Non-Executive Director in 1990, and became Deputy Chairman in 2010. He served as Chairman from September 2013 until September 2014. He was a member of the Nominations, Audit, and Compensation Committees until September 2017. He continues to support the Board in an individual advisory capacity.

Mr Bernard Fornas was appointed to the Board as an Executive Director in 2013, and served as Co-Chief Executive Officer until March 2016 and as a Non-Executive Director until September 2017. He was a member of the Nominations Committee from April 2016 until September 2017. He continues to support the Board in an individual advisory capacity.

Mr Richard Lepeu was appointed to the Board as an Executive Director in 2004, and served as Co-Chief Executive Officer and Chief Executive Officer until March 2017 and as a Non-Executive Director until September 2017. He continues to support the Board in an individual advisory capacity.

Mr Simon Murray was appointed to the Board as a Non-Executive Director in 2003 and served until September 2017. He was a member of the Nominations Committee. He continues to support the Board in an individual advisory capacity.

Mr Norbert Platt was appointed to the Board as an Executive Director in 2005, and served as Chief Executive Officer until 2010 and as Non-Executive Director until September 2017. He was a member of the Nominations Committee from 2010 until September 2017. He continues to support the Board in an individual advisory capacity.

Lord Renwick of Clifton was appointed to the Board as a Non-Executive Director in 1995 and served as Independent Lead Director of the Board until September 2017. He was a member of the Nominations, Audit, and Strategic Security Committees, and he was Chairman of the Compensation Committee. He continues to support the Board in an individual advisory capacity.

Prof Juergen Schrempp was appointed to the Board as a Non-Executive Director in 2003 and served until September 2017. He was a member of the Nominations Committee, and he was Chairman of the Strategic Security Committee. He continues to support the Board in an individual advisory capacity.

The Duke of Wellington was appointed to the Board as a Non-Executive Director in 2000 and served until September 2017. He was a member of the Nominations and Compensation Committees. He continues to support the Board in an individual advisory capacity.

Corporate governance

Contents

1. Introduction

Richemont ('the Group') is committed to maintaining a high standard of corporate governance. It subscribes to the principles laid down in the Swiss Code of Best Practice for Corporate Governance published by 'economiesuisse', the Swiss Business Federation, and SIX Swiss Exchange. In addition to Swiss law, the Group complies with the Listing Rules of SIX Swiss Exchange. It also complies with the rules of the Johannesburg stock exchange, to the extent that they apply to companies with secondary listings there.

The Group's principles of corporate governance are embodied in the Articles of Incorporation of Compagnie Financière Richemont SA (the 'Company'), in its Corporate Governance Regulations and in the terms of reference of the Audit, Compensation, Nominations and Strategic Security Committees of the Board. The Corporate Governance Regulations are available on the Group's website at www.richemont.com/group/corporate-governance.html
The Group's corporate governance principles and practices are reviewed by the Audit Committee and the Board on an annual basis in the light of prevailing best practices.

The Board of Directors ('the Board') believes that the Company's corporate governance arrangements continue to serve its shareholders well. The Board is confident that the Group's governance structure reinforces its ability to deliver the Group's strategy of growing value for shareholders over the long term through the sustained growth of its Maisons.

The sections that follow provide information on the Group's structure, general shareholder information and details regarding the Board and committees. They adhere to the recommendations of the 2016 SIX Swiss Exchange's Directive on Information relating to Corporate Governance ('DCG'). Headings also follow the recommended format of the DCG and cross-references to other sections of the report are provided where appropriate. In certain instances, where the issues contained in the DCG do not apply to Richemont or where the amounts involved are not material, no disclosure may be given.

2. Group structure and shareholders

Structure

Compagnie Financière Richemont SA is a Swiss company with its registered office at 50, chemin de la Chênaie, CH-1293 Bellevue, Geneva. The Company's Board is the Group's supervisory board, composed of a majority of non-executive directors.

The Group's luxury goods businesses are reported within: (i) Jewellery Maisons; (ii) Specialist Watchmakers; and (iii) Other Businesses. Each of the Maisons in the Group enjoys a high degree of autonomy, with its own management group under a chief executive officer. To complement those businesses, the Group has established central functions and a regional structure around the world to provide central controlling and support services in terms of distribution, finance, legal, IT, and administration services.

Details of the principal companies within the Group are set out in note 40 to the Group's consolidated financial statements. The market capitalisation and International Security Identification Number ('ISIN') of the Richemont 'A' shares are given in section 3 of this corporate governance report, which deals with the capital structure.

The Group holds major investments in two listed companies: the YOOX NET-A-PORTER GROUP ('YNAP') and Dufry AG ('Dufry'). The YNAP registered office is in Milan, Italy, and its ordinary shares are listed on Borsa Italiana, the Italian stock exchange with ISIN number IT0003540470. Dufry's registered office is in Basel, Switzerland and its registered shares are listed on SIX Swiss Exchange with ISIN number CH0023405456. Further details regarding Richemont's shareholding in YNAP may be found in note 10. The investment in Dufry is included in note 12.

The Company announced in January 2018 that it had notified YNAP and the relevant market authorities of its intention to launch a voluntary public tender offer (the 'Offer') to acquire all the issued and to be issued ordinary shares of YNAP that it or its affiliates do not already own. Under the terms of the Offer, for each ordinary YNAP share held, YNAP shareholders would receive € 38.00 (thirty eight euro) per share. On the 14 March 2018, the Commissiore Nazionale per le Società e la Borsa ('Consob') approved by resolution no. 20335, pursuant to article 102, paragraph 4, of legislative decree of 24 February 1998 no. 58, the offer document related to the Offer launched by RLG Italia Holding S.p.A.

Non-listed companies belonging to the Group are identified in the business review from pages 4 to 33.

Significant shareholders

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1% of the equity of the Company and controlling 50% of the Company's voting rights. Mr Johann Rupert, Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Ruggero Magnoni, a non-executive director of the Company, and Prof Juergen Schrempp, are partners of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2018.

As at 31 March 2018, there were no other significant shareholders in the Company, i.e. with at least 3% of the voting rights.

Corporate governance continued

Cross-shareholdings

Richemont does not hold an interest in any company which is itself a shareholder in the Group.

3. Capital structure

Shares

There are 522 000 000 ‘A’ registered shares and 522 000 000 ‘B’ registered shares in issue. Richemont ‘A’ registered shares are listed and traded on SIX Swiss Exchange. The ‘B’ registered shares are not listed and are held by Compagnie Financière Rupert, as detailed above. Each ‘A’ registered share has a par value of CHF 1.00 and each ‘B’ registered share has a par value of CHF 0.10. The authorised and issued capital therefore amounts to CHF 574 200 000. Further details are given in note 18 to the Group’s consolidated financial statements.

During the three year period preceding the period ended 31 March 2018, there were no changes to the Company’s capital structure.

At 31 March 2018, Richemont’s market capitalisation, based on a closing price of CHF 85.76 per share and a total of 522 000 000 ‘A’ shares in issue, was CHF 44 767 million. The overall valuation of the Group at the year end, reflecting the value of both the listed ‘A’ shares and the unlisted ‘B’ shares, was CHF 49 243 million.

Over the preceding year, the highest closing price of the ‘A’ share was CHF 92.25 on 3 November 2017, and the lowest closing price of the ‘A’ share was CHF 77.50 on 6 July 2017.

The ISIN of Richemont registered ‘A’ shares is CH0210483332 and the Swiss ‘Valorennummer’ is 21048333.

General shareholder information

Dividend

Holders of ‘A’ and ‘B’ shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, ‘B’ shareholders receive one tenth of the dividend per share paid to holders of the ‘A’ shares.

In respect of the financial year ended 31 March 2018, an ordinary dividend of CHF 1.90 per ‘A’ share and CHF 0.19 per ‘B’ share has been proposed for approval by the shareholders in September 2018. During the year under review, the shareholders approved a dividend of CHF 1.80 per ‘A’ share and CHF 0.18 per ‘B’ share.

Share buy-back programmes

Over the course of the preceding 18-year period ended 31 March 2017, the Group had repurchased a total of 34 552 934 former ‘A’ units and 38 481 876 ‘A’ shares through the market to meet obligations under stock option plans for executives. During the year under review, the Group repurchased a further 1 900 000 ‘A’ shares through the market.

Taking into account the exercise of options by executives during the course of the year and other activities linked to the hedging programme, the balance held in treasury at 31 March 2018 was 9 641 916 ‘A’ shares.

On 12 May 2017 Richemont announced a new programme envisaging the buyback of up to 10 000 000 of its own ‘A’ shares over a three-year period, linked to the requirements of the executive stock option plan. Richemont’s strategy is to maintain a hedge ratio of at least 90% of the commitments arising under the Group’s stock option plan. The programme received the requisite approvals from the Swiss Takeover Board and Richemont undertakes to publish transactions on its website in accordance with those approvals.

Details of the Group’s stock option plan are set out in the Compensation Report from page 49 and in note 30 to the Group’s consolidated financial statements. The operating expense charged to the consolidated statement of comprehensive income in respect of the fair value of stock options granted to executives is set out in note 26.

When ‘A’ shares or former ‘A’ units are bought back, a reserve for treasury shares, equal to the cost value of the shares purchased in the market, is established as an element of shareholders’ equity in the Group’s consolidated statement of financial position. As shares are sold as a consequence of the exercise of options by executives, the reserve is correspondingly reduced. Details are given in note 18.

Voting rights

Holders of Richemont shares may attend and vote at meetings of shareholders of the Company. They may attend in person or may appoint a third party to represent them at the meeting. In addition, an independent representative is appointed at each general meeting by shareholders for the following year’s general meeting.

There is no limit on the number of shares that may be held by any given party. The voting rights attaching to those shares are only restricted if the shares are either unregistered, or are held by a registered nominee with at least 1% of the share capital of the Company and that nominee has declined the Company’s request to provide certain details regarding the owners. Further details of this restriction may be found in Article 6 of the Company’s Articles of Incorporation.

Richemont ‘A’ and ‘B’ shares have equal rights to share in the dividends and capital of the Company; ‘B’ shareholders are entitled to receive 10% of the dividend per share paid to ‘A’ shareholders and 9.1% of the Company’s capital. However, despite the differing nominal values of the ‘A’ and ‘B’ shares, each ‘B’ share conveys the same voting rights as each ‘A’ share, in normal circumstances, at shareholder meetings. Richemont ‘B’ shareholders therefore control 50% of the votes at shareholder meetings. The ‘B’ registered shares are entirely held by Compagnie Financière Rupert. In accordance with Swiss company law, certain resolutions, notably those relating to the objects of the Company, its capital structure, the transfer of its registered office or its dissolution, require the approval of two-thirds of the shares and an absolute majority of the nominal share capital represented at a general meeting of shareholders.

Statutory quorums

The general meeting of shareholders is the Company’s ultimate decision-making forum. Resolutions of the general meeting are generally passed by an absolute majority of the votes represented at the meeting. As detailed above, certain resolutions may require the approval of two-thirds of the shares and an absolute majority of the nominal share capital represented at a general meeting of shareholders.

The AGM, in respect of the financial year ended 31 March 2018, will be held on 10 September 2018 at the Four Seasons Hotel des Bergues, Geneva. The provisional agenda for that meeting is set out on page 133 of this report. The notice period and agenda in respect of the meeting follow the requirements of Swiss company law.

Holders of a minimum of one million 'A' shares in the Company with a nominal value of CHF 1 million may request that an item be placed on the meeting agenda. Such requests must be submitted in writing at least 20 days in advance of the deadline for publication of the formal notice convening the meeting.

South African Depository Receipts

Richemont Securities SA ('Richemont Securities'), a wholly owned subsidiary of the Company, acts as Depository for the issuance, transfer and cancellation of Richemont South African Depository Receipts ('DRs'), which are traded on the Johannesburg Stock Exchange operated by JSE Limited. DRs trade in the ratio of ten DRs to each Richemont 'A' share. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Richemont Securities as Depository, and the Company as Issuer. The Deposit Agreement was most recently amended on 26 March 2014.

In its capacity as Depository, Richemont Securities holds one 'A' share in safe custody for every ten DRs in issue. Richemont Securities' interest in the 'A' shares that it holds is therefore non-beneficial. At 31 March 2018, Richemont Securities held 84 422 944 'A' shares in safe custody in respect of the DRs in issue. This amount represents some 16% of the listed and traded 'A' shares.

Dividends received by Richemont Securities are payable in rand to South African residents. Dividends are converted upon receipt by Richemont Securities and remitted to the holders of DRs. Non-South African resident holders of DRs may receive the dividends in Swiss francs, subject to their residence status.

Holders of DRs issued by Richemont Securities are not entitled to attend the shareholders' meeting of Compagnie Financière Richemont SA or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Richemont Securities, which then represents the holders at such meetings.

Transferability of shares

Richemont's 'A' shares are issued as uncertificated securities within the meaning of the Swiss Code of Obligations and as intermediated securities within the meaning of the Swiss Federal Act on Intermediated Securities ('ISA'). Following entry in the Share Register, shareholders may request a statement in respect of their 'A' shares from the Company at any time. Shareholders do not have the right to request the printing and delivery of certificated 'A' shares. Certificates (individual share certificates or certificates representing several 'A' shares) may however be printed and delivered if considered appropriate by the Company. The transfer and encumbering of 'A' shares are carried out according to the provisions of the ISA. There are no restrictions on the transfer of shareholdings. Transfers of the unlisted 'B' registered shares in the Company, which are held solely by Compagnie Financière Rupert, must be approved by the Board.

4. Board of Directors

Responsibilities and membership

The Board is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business. The Board is responsible for the preparation of the financial statements of the Company and of the Group and for the organisation of shareholder meetings.

The introduction to this section provides commentary about the composition of the Board's membership and the qualities of its members. The Board is composed principally of non-executive directors with diverse professional and business backgrounds. Nine nationalities are currently represented on the Board, which was composed of 19 members at 31 March 2018. Board members are proposed for election on an individual basis at each year's AGM for a term of one year. All directors are eligible to stand for re-election each year, details of nominations being given in the notice of the AGM. There is no restriction on the number of times a director may seek re-election and no formal age limit for directors. Neither age nor the number of years served on the Board is deemed to affect a director's independence. Certain independent directors have served for more than ten years.

The non-executive directors are, without exception, indisputably independent in character and judgement. They bring to the Board a formidable array of expertise and experience. The Board considers that the combination of experience and expertise has been a significant factor in contributing to the superior returns for shareholders generated by the Group since the listing of Richemont on the Swiss Stock Exchange in 1988. Photographs and biographies of the current Board members may be found on pages 36 to 40.

The following long-serving non-executive members of the Board, together with former senior executives, stood down from the Board at the AGM in September 2017. They were: Mr Yves-André Istel, Mr Bernard Fornas, Mr Richard Lepeu, Mr Simon Murray, Mr Norbert Platt, Lord Renwick of Clifton, Prof Juergen Schrempp, and The Duke of Wellington.

Eight new members of the Board were elected at the September 2017 AGM: Mr Nikesh Arora, Mr Nicolas Bos, Mr Clay Brendish, Mr Burkhart Grund, Dr Keyu Jin, Mr Jérôme Lambert, Dr Vesna Nevistic and Mr Anton Rupert.

Mr Arora, Mr Brendish, Dr Jin, Dr Nevistic, and Mr Anton Rupert were appointed as non-executive directors, whereas, Mr Bos, Chief Executive Officer of Van Cleef & Arpels, Mr Grund, Chief Finance Officer, and Mr Lambert, Chief Operations Officer, were appointed as executive directors.

Corporate governance continued

As regards the other executive directors of the Board, Mr Gary Saage served as Chief Financial Officer until 31 July 2017, and from 1 August 2017 he served as a non-executive director. The other executive director was Mr Cyrille Vigneron, Chief Executive Officer of Cartier.

In terms of its regular business, the Board generally meets for half a day to a full day, five times per annum. Further meetings on specific topics are held on an ad hoc basis. During the year under review, the Board of Directors held six meetings. These included a two-day meeting with the senior management of certain Maisons at which strategy, marketing plans and new products were presented. The Chairman and the Chief Finance Officer establish the agendas for the meetings of the Board. Directors may ask that an item be placed on the agenda for any meeting. Financial reports and supporting information in respect of agenda items are circulated to members of the Board in advance of each meeting. The Board may invite other managers and external advisors to attend meetings.

A committee comprising of Mr Johann Rupert, Mr Gary Saage, Mr Ruggero Magnoni, and Mr Burkhart Grund was appointed pursuant to a resolution of the Board of Directors passed on 8 February 2018 with full power, authority and discretion in relation to matters in connection with the offer made by RLG Italia Holding S.p.A., a wholly-owned subsidiary of the Company, for all the issued and to be issued ordinary shares of YNAP which the Company and its affiliates do not already own, and the issuance by Richemont International Holding S.A., a wholly-owned subsidiary of the Company, of multiple series of notes which are guaranteed by the Company and listed on the Luxembourg Stock Exchange. This committee held five meetings.

Board Evaluation

The Board and each of its permanent Committees conduct an annual self-assessment of their own role and effectiveness. This provides Board Members the opportunity to reflect on their individual and collective performance. The respective Committee's conclusions are communicated to the Board.

Board Committees

In terms of the Group's framework of corporate governance, the Board has established: an Audit Committee; a Compensation Committee; a Nominations Committee; and a Strategic Security Committee. The current composition of these Committees is indicated below and in the biographical notes on Board members. In addition to these four Board Committees, the Company's executive directors are members of the Senior Executive Committee.

Each Board Committee has its own written Charter outlining its duties and responsibilities and a Chairman elected by the Board. The Chairman of each Committee presents a summary of the proceedings of each Committee meeting to the Board. All Board Committees are entitled to invite members of senior management and external specialists to attend meetings for specific matters on an ad hoc basis.

Audit Committee

During the first six months of the year under review, the five members of the Audit Committee were: Mr Josua Malherbe (Chairman); Maître Jean-Blaise Eckert; Mr Yves-André Istel; Mr Ruggero Magnoni; and Lord Renwick of Clifton. As from the date of the September 2017 AGM, Mr Yves-André Istel and Lord Renwick of Clifton stood down from the Board and they were succeeded on the Audit Committee by Mr Clay Brendish and Mr Guillaume Pictet. The members are all non-executive directors and, without exception, indisputably independent in character and judgement. The Chief Finance Officer attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditor.

Meetings of the Committee are held at least three times per annum and have a typical duration of half a day. During the year under review, three meetings took place. The Committee meets in camera with the internal auditor and the external auditor during the course of each meeting.

The Audit Committee's principal tasks are to:

- satisfy itself that the consolidated financial statements follow approved accounting principles and give a true and fair view of the Group's financial position and results;
- recommend to the Board the appointment, reappointment or dismissal of the external auditor and keep under review their independence and objectivity as well as their level of compensation;
- examine and review, with both the external and internal auditor, the adequacy and effectiveness of the Group's management information systems as well as accounting, financial and operational controls;
- oversee the effectiveness of the Group's Internal Audit function and liaise with the Head of Internal Audit on all matters of significance arising from the department's work;
- oversee the adequacy and effectiveness of risk management practices in the Group and advise the Board on its responsibility to perform regular risk assessments;
- examine and review the adequacy, effectiveness and integrity of the processes to assure the Group's compliance with all applicable laws and regulations; and
- ensure compliance with the Group's internal Corporate Governance Regulations, including the Code of Conduct for Dealings in Securities, and its Group Investment Procedures.

The Chairman of the Audit Committee reports the findings of each Committee meeting to the Board and makes recommendations to management on behalf of the Board.

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are modelled according to their probability of occurrence and potential impact and subsequently prioritised by management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

Compensation Committee

During the first six months of the year under review, the Compensation Committee was composed of Lord Renwick of Clifton (Chairman); Mr Yves-André Istel; and the Duke of Wellington. These three directors stood down from the Board at the September 2017 AGM, and were succeeded on the Compensation Committee by Mr Clay Brendish (Chairman), Mr Guillaume Pictet and Ms Maria Ramos. The members are all non-executive directors and, without exception, indisputably independent in character and judgement. To assist it in its deliberations, the Committee may draw on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary but at least three per annum and typically last one to two hours. During the year under review, the Committee met on three occasions.

The purpose of the Committee is to support the Board in establishing and reviewing the compensation strategy and guidelines as well as in preparing the proposals to the general meeting of shareholders regarding the compensation of the Board and the Senior Executive Committee. The Compensation Committee may submit proposals to the Board on other compensation-related issues.

The Committee oversees the administration of the Group's long-term incentive plans for executive members of the Board and, inter alia approves the awards granted to executive directors and approves the awards made to other executives in aggregate, recognising that the Senior Executive Committee has the authority to make awards to executives other than those serving on the Board. In addition, the Committee oversees any material amendment to existing long-term incentive plans or the creation of any other long-term incentive plan pertaining to senior management.

Nominations Committee

The Nominations Committee consists of the non-executive directors meeting under the chairmanship of the Chairman of the Board. During the year under review, five meetings took place.

The principal functions of the Committee are to advise the Board in areas such as the composition and size of the Board and the criteria to be applied in the selection of new members of the Board and senior management. In addition, the Committee is responsible for the nomination of directors to serve on Board Committees.

Succession planning is established throughout the Group's operations. At the level of Board membership, the Nominations Committee is responsible for continuity as directors reach retirement or indicate their intention to resign.

The Group's succession plans seek to preserve the current balance of executive directors, former executive directors in a non-executive capacity, and non-executive directors who have not held operational responsibilities within the Group. While this balance will be preserved in the long term, as the continuity it brings to strategic discussions is one of the Group's strengths, the profile of individual appointments may vary from time to time. Such variations take account of the Board's evolving requirements in terms of experience and diversity.

Strategic Security Committee

The Strategic Security Committee is composed of the following five non-executive directors: Mr Clay Brendish (Chairman); Mr Josua Malherbe; Mr Jeff Moss; Mr Anton Rupert and Mr Jan Rupert. Prof Schrempp and Lord Renwick of Clifton stood down from the Board at the September 2017 AGM, and were succeeded on the Strategic Security Committee by Mr Clay Brendish (as Chairman), Mr Anton Rupert, and Mr Jan Rupert.

To assist it in its deliberations, the Committee draws on support from the Group's internal specialists and external advisors. Meetings of the Committee are held as necessary and typically last half a day. The Committee met four times during the year under review.

The purpose of the Committee is to advise the Board in all aspects of security policy. It aims to protect the company's assets, including confidential business information and intellectual property, and its operations against intrusive actions. It also oversees the protection of Richemont's employees and physical assets.

Corporate governance continued

Attendance

The attendance of each executive and non-executive director at Board and Committee meetings during the year under review are indicated in the following table.

	Board	Audit Committee	Compensation Committee	Nominations Committee	Strategic Security Committee
Number of meetings	6	3	3	5	4
Johann Rupert	6	–	–	5	–
Yves-André Istel **	2	1	1	2	–
Josua Malherbe	6	3	–	5	4
Nikesh Arora *	4	–	–	3	–
Nicolas Bos *	4	–	–	–	–
Clay Brendish *	3	2	2	3	4
Jean-Blaise Eckert	6	3	–	5	–
Bernard Fornas **	2	–	–	2	–
Burkhart Grund *	4	–	–	–	–
Keyu Jin *	4	–	–	3	–
Jérôme Lambert *	4	–	–	–	–
Richard Lepeu **	2	–	–	–	–
Ruggero Magnoni	6	3	–	5	–
Jeff Moss	6	–	–	5	4
Simon Murray **	2	–	–	2	–
Vesna Nevistic *	4	–	–	3	–
Guillaume Pictet	6	2	2	5	–
Norbert Platt **	2	–	–	2	–
Alan Quasha	6	–	–	5	–
Maria Ramos	6	–	2	5	–
Lord Renwick of Clifton **	2	1	1	2	1
Anton Rupert *	4	–	–	3	4
Jan Rupert	6	–	–	5	4
Gary Saage ***	6	–	–	3	–
Juergen Schrempp **	2	–	–	2	1
Cyrille Vigneron	6	–	–	–	–
The Duke of Wellington **	2	–	1	2	–

* Directors who served from September 2017 only.

** Directors who served from April to September 2017 only.

*** Director who served as an executive director until 31 July 2017 and as a non-executive director from 1 August 2017.

Control instruments

Management is responsible for implementing the strategic policies determined by the Board. Members of management are empowered to conduct the day-to-day strategic and operational administration of the Group including, inter alia, financial management. Senior management is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board. Management operates within the guidelines as set out in the Group Investment Procedures and such other policies and procedures as may from time to time be laid down by the Board. In addition, management provides the Board with appropriate support to consider and evaluate strategic alternatives.

The Board employs various reporting means and control mechanisms in order to monitor the way in which senior management exercises the authority delegated to it.

- Prior to each Board meeting, members of the Board receive a financial report, summarising recent Group, segmental and Maison financial performance as well as operational developments.
- Members of the Senior Executive Committee ('Senior Executives') report to the Board at each meeting. Supplementary reports are provided by the Company Secretary.
- The Group's employee performance review process requires that members of management are given clearly defined targets at the beginning of each financial year. The Senior Executives monitor performance against these targets on an ongoing basis and report progress to the Board.
- There is interaction between the Board and other members of the management, for example, through the presence on a regular or ad hoc basis at Board Committee meetings. Members of the Board are also exposed to the decision-making process at the level of each Maison through their involvement with the annual reviews of the Maisons' strategies.
- The Group's Internal Audit function provides an objective means of assessing how the Group's risks are being managed and controlled. This function's independent status is reinforced by the direct reporting line from the Head of Internal Audit to the Chairman of the Audit Committee. The function performs financial and operational audits in accordance with a programme approved annually by the Audit Committee. This risk-based programme is designed to ensure that all business units as well as Group-wide issues are given sufficient audit coverage within an appropriate time frame. Summary reports from each audit are provided to the Audit Committee and discussed at its meetings. Progress with implementation of corrective actions is monitored on a regular basis.

5. Senior Executive Committee

The Senior Executive Committee during the year under review comprised: Mr Nicolas Bos, Chief Executive Officer of Van Cleef & Arpels; Mr Burkhart Grund, the Chief Finance Officer; Mr George Kern, the Head of Specialist Watchmakers, Digital and Marketing (to 14 July 2017); Mr Jérôme Lambert, the Chief Operating Officer; Mr Cyrille Vigneron, Chief Executive Officer of Cartier; Mr Gary Saage, Chief Financial Officer (to 31 July 2017); Mr Frank Vivier, the Chief Transformation Officer; and, from October 2017, Ms Sophie Guieysse, the Group Human Resources Director; from November 2017, Mr Emmanuel Perrin, the Head of Specialist Watchmakers Distribution; and, from January 2018 until 2 May 2018, Dr Jean-Jacques van Oosten, the Chief Technology Officer. Their biographical details and other activities may be found on: www.richemont.com/group/corporate-governance/senior-executive-committee.html.

The Committee was chaired by the Chairman of the Board. Other managers were invited to participate on an ad hoc basis at the Chairman's discretion.

The Senior Executive Committee meets on an ad hoc basis to review matters associated with the implementation of the Group's strategic policies. During the year under review the Committee met 15 times.

Activities outside the Group

The Company's Articles of Incorporation limit the number of permitted activities of Senior Executives. Those activities include directorships in other organisations, including publicly quoted businesses.

Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

Committees reporting to the Senior Executive Committee

From time to time, committees of the Senior Executive Committee may be established to determine the Group's policy in specific business areas, including finance, health and safety matters and corporate social responsibility.

6. Compensation, shareholdings and loans

Details of compensation-related matters are given in the Compensation Report from page 49.

7. Shareholder participation rights

Details of shareholder voting rights and the right to attend shareholder meetings are given in section 3 of this corporate governance report.

Corporate governance continued

8. Change of control and defence mechanisms

In terms of the Swiss Stock Exchange and Securities Trading Act ('SESTA'), the Company has not elected to 'opt out' or 'opt up' in respect of the provisions relating to the obligations for an acquirer of a significant shareholding to make a compulsory offer to all shareholders. In accordance with SESTA, any party that would directly or indirectly, or acting in concert with third parties, acquire more than 33⅓% of the voting rights of the Company would therefore be obliged to make an offer to acquire all of the listed equity securities of the Company. The interest of Compagnie Financière Rupert in 100% of the 'B' registered shares in the Company, which existed at the date SESTA came into force, does not trigger any obligation in this respect. As noted above, Compagnie Financière Rupert controls 50% of the voting rights of the Company.

No specific provisions exist in the Articles of Incorporation or internal regulations of the Company which would seek to limit or block any takeover bid. No special contractual relationships exist between Group companies and directors or members of senior management which would protect management or act as a deterrent to a change of control of the Company.

The rules of the long-term compensation plans for executives in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the immediate vesting of benefits due to participants in the event of a change of control taking place.

9. Auditor

The external auditor reports to the Board through the Audit Committee, which also supervises the Group's relationship with the auditor.

PricewaterhouseCoopers SA were reappointed by the Company's shareholders at the 2017 AGM as the auditor of the Company's financial statements and the Group's consolidated financial statements. They were appointed for a period of one year and, being eligible, will stand for a further period of office of one year at this year's AGM. A questionnaire-based evaluation, in which the Finance Director of every subsidiary is consulted, forms the basis of an annual review of the external auditor's performance. The results of the evaluation are reviewed by the Audit Committee.

PricewaterhouseCoopers was initially appointed as auditor of the Company and the Group in 1993 (as Coopers & Lybrand). Mr Michael Foley, the lead auditor, assumed that role in September 2011. The Company's policy is to rotate the lead auditor at least once every seven years and Mr Foley hands over as lead auditor to Mr Guillaume Nayet at the 2018 AGM.

In the year under review, total fees and expenses paid or accrued as payable to PricewaterhouseCoopers for the audit of the financial statements of the Company, the Group, its subsidiaries and related services were € 7.6 million. Total fees and expenses paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 1.2 million, primarily relating to tax compliance services.

The scope of services provided by the external auditor is reviewed annually by the Audit Committee and the relative weight of non-audit work provided by the external auditor is also kept under close review.

Representatives of PricewaterhouseCoopers attended all meetings of the Audit Committee held during the year as well as the meeting of the Committee held on 16 May 2018 at which the financial statements were reviewed.

10. Information policy

The Group reports to shareholders in accordance with the requirements of Swiss law and the guidance provided by SIX Swiss Exchange. The annual report is the principal source of financial and business information for shareholders. The Group's announcement of the results for the financial year is issued in May each year.

In addition to the regulatory annual and interim reports, Richemont publishes trading statements in September, at the time of its AGM, and in January covering the Group's performance during the third quarter of its financial year and the pre-Christmas trading period. Ad hoc announcements are made in respect of matters, which the Board considers to be of significance to shareholders, in accordance with the specific guidelines laid down by SIX Swiss Exchange.

The annual report is distributed to all parties who have asked to be placed on the Group's mailing list, including holders of South African Depository Receipts. Investors may request electronic notification that such reports have been published on the Group's website.

All news announcements other than the annual financial report are distributed by email. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by email (secretariat@cfrinfo.net) or by registering on the Group's website at www.richemont.com/media-cfr/company-announcements.html

Copies of the annual and interim reports, results announcements, trading statements, ad hoc announcements and the corporate social responsibility report may also be downloaded from the Richemont website. Copies of the Company's Articles of Incorporation, together with its Corporate Governance Regulations, are also available on the website.

The Group presents its annual and interim results to analysts and major investors each year. The presentations take place in Geneva and are simultaneously broadcast over the internet. The slide presentation is downloadable from the website. A replay of the broadcast is available on the Group's website within 24 hours of the presentation and a transcript of the presentation shortly thereafter.

Statutory and regulatory announcements are published in the Swiss Official Gazette of Commerce and, in certain cases, by SIX Swiss Exchange.

Compensation report

Letter from the Chairman of the Compensation Committee

Clay Brendish, Chairman

Dear Shareholders,

We are pleased to present to you our Compensation Report for the year ended 31 March 2018.

The year under review has been one of significant change for the Group. Following the retirements of Richard Lepeu and Gary Saage, former Chief Executive Officer and Chief Financial Officer respectively, and the restructuring of Group leadership which followed, the Senior Executive Committee welcomed several new members during the year.

The Board of Directors also underwent a significant change in membership, with the arrival of five new non-executive and three new executive members. Of the non-executive directors in place at the beginning of the period, eight stepped down at the AGM in September 2018, including the previous chairman of this Committee, Lord Renwick of Clifton.

In order to ensure that our remuneration policies remain aligned with the new management structure, compensation for those executives who joined the Senior Executive Committee during the year have been reviewed and approved by the Committee. This included the introduction of a new incentive structure specifically designed for members of the Senior Executive Committee, reflecting the responsibilities of its members for the performance of individual Maisons, or groups of Maisons, as well as for the Group as a whole. Short-term incentive awards include quantitative criteria related to value growth during the period, together with performance against budget and quantitative criteria specific to the individual's performance. Long-term incentives are awarded under the Group's stock option plan, the value of which at grant date is determined based on various factors including Maison or Group value creation. The overriding objective of the Committee remains the alignment of senior executive compensation with total shareholder returns, while at the same time attracting and retaining key talent in the face of competition from other multinational groups.

At the AGM in September 2017, shareholders once again approved the remuneration proposals by a large majority. Specifically, shareholders were asked to approve the maximum amount of fixed Board compensation from the 2017 AGM to the 2018 AGM; the maximum amount of fixed Senior Executive Committee compensation for the 2019 financial year and the variable compensation of the Senior Executive Committee for the 2017 financial year. The actual compensation paid to the Board for the period from the 2016 AGM to the 2017 AGM and to the Senior Executive Committee with respect to fixed compensation for the 2018 financial year was in line with amounts previously approved by the shareholders. The increase in levels of remuneration proposed to be approved at the 2018 AGM is solely a result of the increase in the membership of the Senior Executive Committee.

On behalf of the Board, we would like to thank you for your continued support on executive compensation matters.

The Compensation Report that follows describes the Group's guiding principles, philosophy and policies for setting the compensation of members of the Board and the Senior Executive Committee. The report complies with the relevant articles of the Swiss Code of Obligations, the Swiss Code of Best Practice, and the Ordinance against Excessive Compensation ('Ordinance'). The compensation for the financial year under review, as detailed on pages 56 to 59 has been audited by the Group's auditors, PricewaterhouseCoopers.

The Committee continues to be committed to a compensation framework which allows the Group to remain aligned with market practices and trends in top compensation levels of competitors and other major companies listed on SIX Swiss Exchange, whilst reflecting the performance of both the Group and individuals during the period. We look forward to receiving comments from our investors.

Clay Brendish
Compensation Committee Chairman

Compensation report continued

Contents

1. Richemont's compensation principles

The Group's compensation philosophy is based upon the following guiding principles:

- Transparency
- Performance based
- Long-term value creation
- Alignment with shareholders' interests
- Sharing success with employees
- Emphasis on variable over fixed compensation

2. Our compensation-setting philosophy

The Group's compensation policies are designed to ensure that Group companies attract and retain management of the highest calibre and motivate them to perform to the highest standards, recognising the international nature of their businesses and the long-term objectives of the Group. The Group sets high standards in the selection of executives who are critical to the long-term development of the business.

In pursuit of this goal, the Compensation Committee supports the Board of Directors in reviewing and establishing the Group's compensation policies and strategy. The core responsibilities of the Committee include setting the compensation of the non-executive directors and the Chairman of the Board of Directors and agreeing the compensation of the other executive director members of the Board and the Senior Executive Committee. The compensation of all other members of senior management is regularly reviewed by the Committee to ensure that retention and motivation are in place to support the Group's long-term succession planning.

The Compensation Committee meets three times a year. In general a meeting is held in November to review the Group's compensation philosophy and framework, with a further meeting in March to consider the objectives for the following year. These objectives include financial metrics such as sales, profit and cash and individual performance metrics aligned to the business strategy and recognising the importance of long-term creativity and successful team-work. A third meeting is held in May to assess the degree of achievement of objectives for the previous year.

The Compensation Committee considers the recommendations of the Chairman of the Board of Directors regarding compensation awards for the executive directors. For all other members of senior management, the recommendations of management are also considered. The Compensation Committee may amend or reject these recommendations.

Executive directors and members of the Senior Executive Committee are not present at any meeting where decisions are taken regarding their own compensation. The Chairman of the Compensation Committee reports to the full Board on the discussions and decisions taken at each Committee meeting.

Governance

The Company's Articles of Incorporation contain provisions relating to compensation principles (art. 38) and the binding votes of the Annual General Meeting (art. 39). Shareholders are required to approve prospectively the remuneration of the Board of Directors and the fixed compensation of the Senior Executive Committee, while variable compensation is approved retrospectively. The articles also include provisions for the remuneration of new members of the Senior Executive Committee (art. 39).

The Articles of Incorporation can be found at:
www.richemont.com/group/corporate-governance

3. Comparative group benchmarking

The compensation of both the members of the Board and the Senior Executive Committee is benchmarked under the guidance of the Compensation Committee. To ensure that the Group remains competitive in its compensation arrangements, benchmarking surveys, providing details on all elements of total compensation and the mix thereof, for a wide range of executive roles including Chairman of the Board of Directors, Chief Executive Officer and other executives, are regularly considered. The next comparative group benchmark will be conducted during the year to 31 March 2019.

The comparative benchmark group utilised by the Group comprised some 40 companies in the competitive environment in which the Group operates. Criteria such as business type, geographic location, market capitalisation and specialty focus are all considered in the selection process. As a point of reference, the company targets at least the median compensation level of the peer group, while maintaining the potential for above-average variable compensation for superior performance.

The Group also uses external consultants for advice on remuneration matters. During the year, external advice on specific compensation and share option-related matters was received from a number of professional firms including PricewaterhouseCoopers, Deloitte and Lenz & Staehelin. None of these firms received any additional mandates from those consultations. PricewaterhouseCoopers is the Company and Group's external auditor, as described on page 48.

4. Compensation of the Board of Directors

Chairman

The total compensation awarded to the Chairman of the Board of Directors, Mr Johann Rupert, is reviewed annually by the Compensation Committee. From October 2017, his annual compensation was reduced by CHF 0.5 million to CHF 2.7 million, split equally between salary and pension contributions. During the period under review no variable compensation was awarded.

	Financial year to	
	31 March 2018 CHF	31 March 2017 CHF
Fixed annual retainer	**1 514 175**	1 624 425
Pension contributions	**1 552 650**	1 624 425
Total	**3 066 825**	3 248 850

Non-executive directors

Non-executive directors are entitled to receive an annual base retainer of CHF 100 000, plus a fee of CHF 20 000 for each Board meeting attended. This fee is reduced to CHF 4 800 for participation by telephone. From 1 October 2017 the board attendance fee was increased to CHF 25 000 per meeting, reduced to CHF 6 000 for participation by telephone.

Non-executive directors who are also members of the Audit Committee, the Compensation Committee or the Strategic Security Committee are entitled to receive further fees per meeting attended.

Committee attendance fees	Chairman	Member
Audit Committee	CHF 20 000	CHF 15 000
Compensation Committee	CHF 15 000	CHF 10 000
Strategic Security Committee	see below	CHF 10 000

From 1 October 2017, the Chairman of the Strategic Security Committee receives a fee of CHF 15 000 per meeting. Prior to that date, the Chairman received an annual fee of CHF 200 000, reflecting the time and effort the Chairman had to devote to ensuring that Richemont is fully equipped to meet the increasingly serious challenge posed by electronic and physical threats.

The amounts above may be paid in local currency equivalents.

Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's share option or other long-term incentive plans. There is no scheme to issue shares to non-executive directors.

Executive directors

The executive directors of the Board are all members of the Senior Executive Committee and do not receive any compensation for their role as members of the Board.

5. Compensation of the Senior Executive Committee

In the year under review the members of the Senior Executive Committee were:

Senior Executive Committee	
Nicolas Bos	Chief Executive Officer Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse[1]	Group Human Resources Director
Jérôme Lambert	Chief Operating Officer
Jean-Jacques van Oosten[2]	Chief Technology Officer
Emmanuel Perrin[3]	Head of Watchmaking Distribution
Cyrille Vigneron	Chief Executive Officer Cartier
Frank Vivier	Chief Transformation Officer
Georges Kern[4]	Former Head of Watchmaking
Gary Saage[4]	Former Chief Financial Officer

1. From 1 October 2017

2. From 1 January 2018

3. From 8 November 2017

4. For the period from 1 April 2017 to 31 July 2017

The Chairman of the Board of Directors also chairs meetings of the Senior Executive Committee.

Members of the Senior Executive Committee are rewarded in line with the level of their authority and responsibility within the organisation. In general, an executive's total compensation will comprise both fixed and variable elements.

The primary objective of the Group's compensation strategy is to align variable compensation paid to senior executives to total shareholder returns over the long-term, while attracting and retaining key talent in the face of competition from other multinational groups. Short-term incentives are paid in cash and are awarded to executives in May, based on performance during the previous financial year. These are complemented by awards under one of the Group's long-term incentive plans, which serve to both retain key executives and to ensure that the interests of these executives are aligned to the values of the Group.

Long-term awards to members of the Senior Executive Committee are made under the Group's share option plan. The options vest in tranches after three, four and five years. The cost to the Group of this plan is equal to the fair value of the options, as calculated using standard option valuation models, which is charged to net profit over the vesting period. The total fair value of share options granted to members of the SEC during the year was CHF 10.1 million. There is also a cash outflow on grant, as the Group repurchases its own shares in order to meet its obligations under this plan. Gains made by executives on exercising the stock options depend on changes in the share price since the date of the award and do not represent a cost to the Group. Once vested, options can be exercised at any time until expiry, nine years after initial grant.

The Group does not provide for any transaction-specific success fees for its executives.

Compensation report continued

6. Fixed compensation of the Senior Executive Committee

Base salary

The base salary reflects the market value of the position and is consistent with local practice. It is paid on a monthly basis in cash. The level of all awards is reviewed annually in accordance with the Group's salary review process, which takes place in May. In determining the level of any increase to base salary, consideration is given to the Group's performance; the role and responsibilities of the individual; and market benchmarking information provided by external compensation consultants. The base salaries of those executives who joined the Senior Executive Committed during the current year were reviewed by the Compensation Committee in relation to the additional roles and responsibilities undertaken.

Benefits

Senior executive members also receive benefits in line with their duties and responsibilities and may include car or travel allowance and medical insurance.

The company also operates a retirement foundation in Switzerland which provides benefits on a defined contribution basis. Each executive has a retirement account to which the executive and the Group make contributions at rates set out in the foundation rules based on a percentage of salary. A Group contribution of up to 12.6% was applied in the year on salaries to a ceiling of CHF 846,000.

Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their duties.

7. Variable compensation of the Senior Executive Committee

The Group operates a short-term cash incentive and a long-term benefit incentive plan for executives. The Compensation Committee considers these components in total to ensure there is an appropriate balance between reward for short-term success and long-term retention. Targets used to determine the payout levels for both the variable short-term incentives and the variable long-term incentives are considered by the Compensation Committee on an annual basis prior to the start of the next financial year.

A retention ratio is determined by individual, comparing the long-term variable awards already granted with the total compensation for the year. For share options, the gains achievable on unvested options by reference to the current market share price are included. Awards granted for each of the short- and long-term incentive plans reflect both the individual's performance and their contribution to the Group's overall results and value creation.

An annual target is set for each of the Group's short- and long-term incentive plans.

Short-term cash incentives

The determination of the level of short-term cash incentive comprises both quantitative and qualitative components, each with a preset target and a maximum percentage of base salary. The mix of quantitative and qualitative targets are aligned with the Group's business priorities for the year ahead, encouraging individual creativity and delivering continued profit growth and value creation. The short-term incentive target is set at 75% of base salary, with a maximum cap of 150% of base salary. The quantitative component represents 65% of the target.

With effect from 1 April 2017, the quantitative component of the short-term cash incentive, which represents 50% of the target, is assessed on actual Group or Maison operating profit compared against the current year's budget and on the value creation during the year. The value of a Maison or group of Maisons is consistently determined as the average of multiples of sales, EBITDA and cash contributions achieved for the previous year. Awards are granted relative to a target set at the beginning of each year which is reviewed and approved by the Compensation Committee.

The qualitative component is assessed on performance against individual strategic targets, measuring the contribution to creativity, team-building and succession-planning, among other elements. The qualitative percentage will vary by executive. For those members of the Senior Executive Committee at 31 March 2017 receiving a short-term incentive for the year then ended, the achievement of each executive as determined by the Compensation Committee is detailed below.

The total incentive awards achieved represented on average 72% of base salary, a reduction of 3% on the 75% average for the prior year. The individual figures for the Group's executive directors at 31 March 2017 are as follows:

	Quantitative (% of salary)		Qualitative (% of salary)		Total	
	Target	Achieved	Target	Achieved	Target	Achieved
Richard Lepeu	*50%*	45%	*25%*	25%	*75%*	70%
Gary Saage	*50%*	45%	*25%*	25%	*75%*	70%
Cyrille Vigneron	*50%*	50%	*25%*	25%	*75%*	75%

The short-term incentives awarded in May 2017 related to performance in the year-ended 31 March 2017, during which all executives, with the exception of those listed above, were not yet members of the Senior Executive Committee. Awards were made under the previous short-term incentive plan, under which the quantitative component, representing 50% of the target incentive, was assessed on actual Group or Maison sales, operating profit and adjusted free cash flow for the year compared with the current year's budget and the prior year's actual financial results.

The award for the year to March 2017 was proposed by the Compensation Committee at their meeting in May 2017 and retrospectively approved by shareholders in September 2017.

Long-term variable components

Long-term variable compensation is a significant component of the Group's remuneration strategy and is described in detail on the following pages. It serves to both retain key executives and to ensure that the interests of these executives are aligned to the values of the Group, including a focus on capital allocation for long-term strategic purposes and the development of a culture of creativity within the Brands.

The target long-term variable award is set at 75% of base salary with a maximum cap of 150% of base salary. For those members of the Senior Executive Committee with responsibility for Maisons, the number of options awarded will depend on value creation in the respective Maisons and individual performance (leadership, team building, collegiality, creativity, succession planning). The Compensation Committee has discretion to adjust the final award to take into account current market conditions, or if it considers that the short-term performance has been achieved at the expense of long-term future success, amongst other factors.

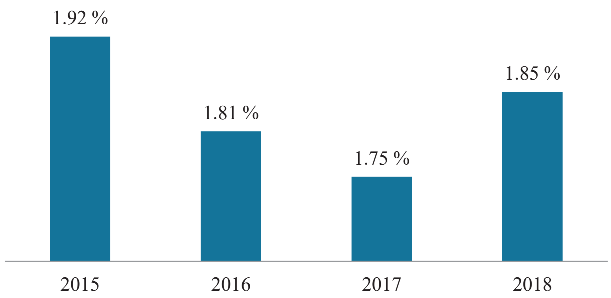
Long-term variable incentives are awarded under the Group's share option plan, with the award converted to options based on the estimated market value of an option at the time of the award.

Share options

Details of the Group's share option plan are set out on page 99 of this report. The Compensation Committee determines both the maximum aggregate number of options to be awarded and agrees the award to each member of the Senior Executive Committee, subject to the shareholders' approval of total compensation.

In determining the number of options to be awarded, the Compensation Committee considers the forecast value of the option at the award date; the ratio of unexercised options to issued share capital; the cost of hedging the award and the long-term benefit to the executives.

Share option dilution from 2015 (based on 522 million 'A' shares)



To meet the obligations arising under its share-based compensation plans, Richemont has implemented a series of buy-back programmes since 1999 to acquire 'A' shares. By using its own capital to acquire these shares, Richemont has reflected the financing cost of the share option plans in the consolidated statement of comprehensive income. The shares held provide a comprehensive hedge of the Group's anticipated obligations arising under its share option plan. Awards under the Group's share option plan will not result in the issue of new capital.

Option holders are not entitled to receive any dividends on unexercised options.

At the individual level, the compensation fair value of a share option award, as determined at the award date applying the valuation principles of International Financial Reporting Standards and excluding employer's social security contributions, should not exceed 150% of the executive's base salary. The compensation fair value is the value considered by the Compensation Committee to represent the fair value of the compensation awarded.

The award of options requires retrospective approval by shareholders at the AGM. Following such approval, a revised fair value is determined for accounting purposes only.

The compensation fair value disclosed below, of CHF 17.98 will be reassessed for accounting purposes, if approved by shareholders, in September 2018. The compensation fair value reported in the prior year of CHF 13.54 was reassessed for accounting purposes in September 2017 at CHF 33.23. The change in value is disclosed in note 30 of the consolidated financial statements. The final cash value of the share option will depend on the share price when the option is exercised.

During the year ended 31 March 2018, a total of 1 979 600 share options were awarded with a strike price of CHF 80.20. Five members of the Senior Executive Committee received share options in June 2017.

	Options awarded	IFRS value (CHF)	Multiple of base salary
Nicolas Bos	125 000	2 247 500	165%
Burkhart Grund	90 000	1 618 200	147%
Jérôme Lambert	125 000	2 247 500	150%
Cyrille Vigneron	150 000	2 697 000	154%
Other SEC members	70 000	1 258 600	148%

Options granted to Georges Kern subsequently lapsed on his departure from the Group in July 2017.

Options granted vest in equal instalments between three and five years following the grant date. The rules of the plan contain clawback provisions under which a number of options will be cancelled before vesting in certain circumstances.

Compensation report continued

In the event that an option holder retires, all outstanding share options vest immediately. In the event that an option holder terminates employment with the Group for another reason, unvested share options are forfeited. Accelerated vesting of share options is never granted to any member of the Senior Executive Committee. The consequences of a change of control are described below.

On 1 July 2017, three option awards vested. In accordance with the plan rules, the Compensation Committee compared the performance of the Company's share price with those of the comparative group over the relevant vesting periods. Taking account of relative performance vis-à-vis the comparative group, the vesting of options was reduced by 10% - 20% for some senior executives, including those in the Senior Executive Committee at 31 March 2017.

Details of options held by members of the Board and the Senior Executive Committee under the Group's share option plan at 31 March 2018 were as follows:

	1 April 2017	Granted	Cancelled number of options	Exercised	31 March 2018	Average grant price CHF	Earliest exercise period	Latest expiry
Nicolas Bos	15 375	125 000	–	–	**140 375**	74.00	Apr 2018	June 2026
Burkhart Grund	60 000	90 000	–	–	**150 000**	70.74	July 2019	June 2026
Jérôme Lambert	–	125 000	–	–	**125 000**	80.20	July 2020	June 2026
Jan Rupert	98 126	–	–	98 126	**–**		–	–
Gary Saage	888 667	–	20 000	13 667	**855 000**	73.66	Apr 2018	June 2025
Cyrille Vigneron	–	150 000	–	–	**150 000**	80.20	July 2020	June 2026
Other SEC members	72 667	70 000	–	19 334	**123 333**	77.04	Apr 2018	June 2026
	1 134 835	560 000	20 000	131 127	**1 543 708**			

The options held by Mr Jan Rupert and Mr Gary Saage, non-executive directors, were awarded in their previous role as executive directors of the Company.

Other payments

During the year to 31 March 2018, Mr Nicolas Bos, Mr Jérome Lambert and Mr Burkhart Grund also received a cash payout as a result of a long-term incentive award made in 2014 as compensation for their positions as Maison executives at that time. The total cash payments made were CHF 3.5 million, CHF 2.6 million and CHF 0.7 million respectively. These payments reflect the performance of the Maisons over the three year period from 2014 to 2017.

8. Long-term incentive plans

The Group operates two additional long-term benefit incentive plans for Group and Maison executives in addition to the share option plan described above. From 1 April 2017, members of the Senior Executive Committee are no longer eligible to receive new awards under these plans.

Long-term retention plan

The Long-term Retention Plan ('LRP') is a cash incentive plan primarily used as a retention tool for key positions within the Group. For each eligible participant, the awards are set at the grant date at between 50% and 150% of the target short-term cash incentive awarded for the previous year and become payable, typically after three further years of service. In exceptional circumstances a higher percentage may be awarded.

Long-term incentive plan

The Group also operates a cash-settled long-term incentive plan ('LTIP'). The purpose of this plan is to motivate and reward Maison executives by linking a major part of their compensation package to the increase in value of the business area for which they are responsible. LTIP awards are made annually and typically vest after a three-year vesting period. The value of a Maison is consistently determined as the average of multiples of sales, EBITDA and cash contributions achieved for the previous year. The executive receives a percentage of the increase in value of the Maison from the date of grant to the vesting date, with the vesting value being an average of the preceding two years' valuations. The percentage granted to each executive takes into consideration the size of the Maison and the estimated compensation that could be derived from this programme as a percentage of total compensation. It also takes account of the relative performance of each Maison in terms of sales and profit growth vis-à-vis both external and internal comparators.

The expected LTIP benefit, as determined at the grant date, is capped at a maximum of four times the executive's base salary at the grant date. In general, the expected payout ratio will be substantially below this limit. The final payout may be more or less than target, depending upon the Maison's actual performance over the vesting period.

The cash payout made in July 2017 to Masion senior executives reflects the performance of the Maison during the three-year period from March 2014 to March 2017.

Management is currently reviewing the Group's long-term incentive plans and plans to develop new incentive schemes in the near future to further align long-term incentives to total shareholder returns.

9. Compensation governance

Severance

There are no arrangements in place to provide for any severance benefit or other special departure payments for any director or any member of the Senior Executive Committee, other than their contractual and legal rights. In general, contractual notice periods are for six months. In certain cases, the employing entity is required to provide twelve months' notice.

Clawback

In addition to applicable statutory provisions, the Group's long-term benefit plans include provisions allowing the Group to reclaim, in full or in part, distributed compensation as a result of special circumstances.

Upon termination of employment as a result of serious misconduct, including fraud as defined by the applicable criminal law and violation of the Group's Standards of Business Conduct, all awards granted and outstanding, whether vested or unvested, lapse immediately without any compensation.

In the event of termination of employment for another reason, awards which are unvested at the date of termination of employment lapse immediately without any compensation.

Change of control

The rules of the share option plan for executives in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the vesting of benefits due to participants in the event of a change of control taking place.

Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

Allotment of shares

No shares were alloted to directors or members of senior management during the year under review.

Share ownership

Details of the shareholdings of the members of the Board of Directors in the Company are disclosed on page 114 of this report. Directors are encouraged to acquire and hold shares in the Company.

Trading in Richemont shares

The exercise of options and transactions in Richemont shares and related securities by any current director or member of the Senior Executive Committee and their related parties is promptly notified to SIX Swiss Exchange ('SIX'). These notifications are simultaneously published by SIX.

Compensation report continued

AUDITED

10. Compensation report for the financial year under review

The Ordinance against Excessive Compensation requires that the Board identify the corporate body to which management has been delegated by the Board of Directors for the day-to-day management of the organisation. This is deemed to be the Senior Executive Committee, which is chaired by the Chairman of the Board and comprises the follwing executives

Nicolas Bos	Chief Executive Officer, Van Cleef & Arpels
Burkhart Grund	Chief Finance Officer
Sophie Guieysse	Group Human Resources Director
Jérôme Lambert	Chief Operating Officer
Jean-Jacques van Oosten	Chief Technology Officer
Emmanuel Perrin	Head of Specialist Watchmakers Distribution
Cyrille Vigneron	Chief Executive Officer, Cartier
Frank Vivier	Chief Transformation Officer

Members of this Committee are considered to be subject to the various disclosure and approval requirements imposed by the regulations.

The total compensation of the members of the Board and Senior Executive Committee, including pension contributions, benefits in kind and all other aspects of compensation, amounted to CHF 38 728 697. The highest paid executive was Mr Cyrille Vigneron, Chief Executive Officer of Cartier, with a total compensation of CHF 6 001 135.

The measurement basis for each component of compensation is described below:

- Salary and other short-term benefits: accruals basis.
- Short-term incentives: cash paid basis.
- Pension: contributions paid or increase in accrued value depending upon the pension plan type.
- Share options: total fair value, as determined at the date of award of the options granted in the year, the option value being determined in accordance with the valuation methodology of IFRS 2.
- LTIP: total fair value, approximating to the estimated payout value as determined at the date of grant. The estimated benefit values are based on the forecast growth of the Maison determined using the most recent budgets and forecasts covering the relevant vesting periods.
- Employer's social security: amounts are presented on a cash paid basis for short-term compensation and estimated, based on fair value at grant date and mandatory employer social security contributions which provide rights up to the maximum future state benefit, for long-term incentives.

All amounts are stated gross before the deduction of any related tax or amounts due by the employee.

Compensation for the financial year to 31 March 2018

	Fixed components		Variable components				
	Salary and other employee benefits CHF	Post-employment benefits CHF	Short-term incentives CHF	Long-term benefits[1] CHF	Share option award[1] CHF	Social security cost[5] CHF	Total CHF
Board of Directors							
Johann Rupert	1 514 175	1 552 650	–	–	–	–	**3 066 825**
Yves-André Istel[3]	115 000	–	–	–	–	14 601	**129 601**
Josua Malherbe	315 000	–	–	–	–	27 119	**342 119**
Nicolas Bos[4]	–	–	–	–	–	–	**–**
Burkhart Grund[4]	–	–	–	–	–	–	**–**
Jérôme Lambert[4]	–	–	–	–	–	–	**–**
Cyrille Vigneron	–	–	–	–	–	–	**–**
Nikesh Arora[4]	625 000	–	–	–	–	–	**625 000**
Clay Brendish[4]	215 000	–	–	–	–	–	**215 000**
Jean-Blaise Eckert	260 000	–	–	–	–	–	**260 000**
Bernard Fornas[3]	100 416	–	–	–	–	6 378	**106 794**
Keyu Jin[4]	125 000	–	–	–	–	–	**125 000**
Richard Lepeu[3,6]	262 916	–	3 860 000	–	–	366 062	**4 488 978**
Ruggero Magnoni[2]	–	–	–	–	–	–	**–**
Jeff Moss	255 000	–	–	–	–	–	**255 000**
Simon Murray[3]	90 000	–	–	–	–	–	**90 000**
Vesna Nevistic[4]	225 000	–	–	–	–	–	**225 000**
Guillaume Pictet	265 000	–	–	–	–	19 433	**284 433**
Norbert Platt[3]	124 749	–	–	–	–	6 407	**131 156**
Alan Quasha	215 000	–	–	–	–	–	**215 000**
Maria Ramos	197 000	–	–	–	–	17 304	**214 304**
Lord Renwick of Clifton[3]	130 000	–	–	–	–	–	**130 000**
Anton Rupert [2,4]	–	–	–	–	–	–	**–**
Jan Rupert	245 000	–	–	–	–	21 297	**266 297**
Gary Saage[7]	434 605	–	–	–	–	37 637	**472 242**
Jürgen Schrempp[3]	140 000	–	–	–	–	–	**140 000**
Duke of Wellington[3]	154 142	–	–	–	–	18 780	**172 922**
Total	6 008 003	1 552 650	3 860 000	–	–	535 018	**11 955 671**
Senior Executive Committee							
Gary Saage[7]	863 235	66 733	1 852 500	–	–	178 092	**2 960 560**
Nicolas Bos[8]	1 387 922	85 874	601 767	–	2 247 500	292 175	**4 615 238**
Burkhart Grund[8]	1 117 905	108 204	250 000	–	1 618 200	156 790	**3 251 099**
Jérôme Lambert[8]	1 615 171	108 766	700 000	–	2 247 500	220 101	**4 891 538**
Cyrille Vigneron	1 832 955	106 679	1 125 000	–	2 697 000	239 501	**6 001 135**
Other	2 433 689	239 584	910 000	–	1 258 600	211 583	**5 053 456**
Total	9 250 877	715 840	5 439 267	–	10 068 800	1 298 242	**26 773 026**
Total compensation	15 258 880	2 268 490	9 299 267	–	10 068 800	1 833 260	**38 728 697**

1. Long-term benefits and share option compensation is recognised at the total fair value at the date of the award. Details of the share option valuation model and significant inputs to this model are found in note 30.
2. Mr Magnoni and Mr Anton Rupert have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors. The table above includes compensation for other services.
3. From 1 April 2017 to 13 September 2017
4. From 13 September 2017 to 31 March 2018.
5. Social security costs are the employer's contribution on all components of compensation.
6. Short-term incentives paid to Mr Richard Lepeu were paid in May 2017 in respect of his role as co-Chief Executive Officer for the financial year to 31 March 2017.
7. Mr Gary Saage served as a member of the Senior Executive Committee for the period 1 April 2017 to 31 July 2017 and thereafter as a non-executive member of the Board of Directors.
8. During the year to 31 March 2018, Mr Nicolas Bos, Mr Jérôme Lambert and Mr Burkhart Grund also received a cash payout as a result of a long-term incentive award made in 2014 as compensation for their positions as brand executives at that time.

AUDITED

AUDITED

Compensation for the financial year to 31 March 2017

	Fixed components		Variable components				
	Salary and other employee benefits CHF	Post-employment benefits CHF	Short-term incentives CHF	Long-term benefits[1] CHF	Share option award[1] CHF	Social security cost[3] CHF	Total CHF
Board of Directors							
Johann Rupert	1 624 425	1 624 425	–	–	–	–	**3 248 850**
Yves-André Istel	285 000	–	–	–	–	20 991	**305 991**
Josua Malherbe	290 000	–	–	–	–	25 035	**315 035**
Bernard Fornas[6]	332 664	–	2 430 000	–	–	130 434	**2 893 098**
Richard Lepeu	–	–	–	–	–	–	**–**
Gary Saage	–	–	–	–	–	–	**–**
Cyrille Vigneron[4]	–	–	–	–	–	–	**–**
Jean-Blaise Eckert	210 000	–	–	–	–	–	**210 000**
Ruggero Magnoni[2]	–	–	–	–	–	–	**–**
Jeff Moss[4]	130 000	–	–	–	–	–	**130 000**
Simon Murray	180 000	–	–	–	–	–	**180 000**
Alain Dominique Perrin[2,3]	1 209 860	–	–	–	–	–	**1 209 860**
Guillaume Pictet	200 000	–	–	–	–	14 348	**214 348**
Norbert Platt	269 731	–	–	–	–	14 348	**284 079**
Alan Quasha	184 800	–	–	–	–	–	**184 800**
Maria Ramos	169 600	–	–	–	–	14 174	**183 774**
Lord Renwick of Clifton	335 000	–	–	–	–	–	**335 000**
Jan Rupert	201 004	–	–	–	–	17 550	**218 554**
Jürgen Schrempp	384 800	–	–	–	–	–	**384 800**
Duke of Wellington	332 586	–	–	–	–	55 350	**387 936**
Total	6 339 470	1 624 425	2 430 000	–	–	292 230	**10 686 125**
Senior Executive Committee							
Richard Lepeu	3 961 567	85 869	2 430 000	–	2 031 000	388 450	**8 896 886**
Gary Saage	2 487 049	177 669	2 250 000	–	1 624 800	321 978	**6 861 496**
Cyrille Vigneron	1 793 571	113 495	300 000	675 000	–	101 956	**2 984 022**
Total	8 242 187	377 033	4 980 000	675 000	3 655 800	812 384	**18 742 404**
Total compensation	14 581 657	2 001 458	7 410 000	675 000	3 655 800	1 104 614	**29 428 529**

1. Long-term benefits and share option compensation is recognised at the total fair value.
Details of the share option valuation model and significant inputs to this model are found in note 30.

2. Mr Magnoni and Mr Perrin have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

3. From 1 April 2016 to 14 September 2016

4. From 14 September 2016 to 31 March 2017.

5. Social security costs are the employer's contribution on all components of compensation.

6. Short-term incentives paid to Mr Bernard Fornas were paid in May 2016 in respect of his role as co-Chief Executive Officer for the financial year to 31 March 2016.

Changes in the level of compensation awarded to members of the Board and the Senior Executive Committee reflect an increase in the grant date fair value of long-term awards and the related employer's social security as well as the change in membership of the Committee.

Loans to members of governing bodies

As at 31 March 2018, there were no loans or other credits outstanding to any current or former executive, non-executive director or member of the Senior Executive Committee. The Group's policy is not to extend loans to current or former members of the Board or Senior Executive Committee. There were also no non-business related loans or credits granted to relatives of any member of the Board or Senior Executive Committee.

11. Related party transactions

In addition to their duties as non-executive directors, Mr Norbert Platt, Mr Gary Saage, Mr Nikesh Arora and Dr Vesna Nevistic provided consultancy services to the Group during the year. Fees for those services, amounting to CHF 0.1 million, CHF 0.3 million, CHF 0.5 million and CHF 0.1 million respectively, are included in the compensation disclosures above. Compensation for Mr Platt relates to the period from 1 April 2017 to 13 September 2017, the date on which he stepped down as a non-executive director. The consultancy services provided to the Group are in connection with the Group's business development, digital and business transformation strategies.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling CHF 0.5 million from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of CHF 0.2 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is Vice-Chairman of the Foundation.

In a recent Group transaction, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of CHF 0.6 million.

In addition to his non-executive director's fee, the Duke of Wellington received fees and other benefits totalling less than CHF 0.1 million (2017: less than CHF 0.1 million) in connection with his role as Director and Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests. This amount relates to the period from 1 April to 13 September 2017, the date on which he stepped down as a non-executive director.

Mr Alain-Dominique Perrin, a former non-executive director of the Group, provided consulting services to the Group during the year. Fees for these services amounted to CHF 5.1 million. The consultancy services provided to the Group are in connection with business development and marketing related activities, in particular ensuring that matters related to communication, products and distribution are appropriate and consistent with the identity and strategy of the Group's Maisons.

Compagnie Financière Richemont SA

Report of the statutory auditor

Report of the statutory auditor to the general meeting of Compagnie Financière Richemont SA, Geneva

We have audited pages 56 to 59 of the accompanying Compensation Report of Compagnie Financière Richemont SA for the year ended 31 March 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (‘Ordinance’) labelled 'audited' on pages 56 to 59 of the remuneration report.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (‘Ordinance’). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the Compensation Report of Compagnie Financière Richemont SA for the year ended 31 March 2018 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Sylvère Jordan
Audit expert

Geneva, 17 May 2018

Consolidated financial statements

Directors' Report

The Board of Directors of Compagnie Financière Richemont SA ('Richemont' or 'the Company') is pleased to submit its report on the activities of the Company and its subsidiaries and equity-accounted investments (together, 'the Group') for the year ended 31 March 2018. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2018 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 122 to 126.

The draft agenda of the Annual General Meeting, which is to be held in Geneva on 10 September 2018, is set out on page 133.

Further information on the Group's activities during the year under review is given in the financial review on pages 27 to 31.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2018 €m	2017 €m
Assets			
Non-current assets			
Property, plant and equipment	*6*	**2 325**	2 558
Goodwill	*7*	**297**	298
Other intangible assets	*8*	**370**	391
Investment property	*9*	**222**	12
Equity-accounted investments	*10*	**1 308**	1 307
Deferred income tax assets	*11*	**604**	724
Financial assets held at fair value through profit or loss	*12*	**447**	7
Other non-current assets	*13*	**401**	430
		5 974	5 727
Current assets			
Inventories	*14*	**4 943**	5 302
Trade and other receivables	*15*	**995**	996
Derivative financial instruments	*16*	**18**	20
Prepayments		**151**	163
Financial assets held at fair value through profit or loss	*12*	**5 057**	3 481
Cash at bank and on hand	*17*	**8 401**	4 450
Assets of disposal group held for sale	*36*	**19**	21
		19 584	14 433
Total assets		**25 558**	20 160
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*18*	**334**	334
Treasury shares	*18*	**(520)**	(432)
Hedge and share option reserve		**302**	327
Cumulative translation adjustment reserve		**1 892**	3 004
Retained earnings	*18*	**12 623**	12 296
		14 631	15 529
Non-controlling interests		**7**	–
Total equity		**14 638**	15 529
Liabilities			
Non-current liabilities			
Borrowings	*19*	**4 288**	402
Deferred income tax liabilities	*11*	**8**	8
Employee benefits obligation	*20*	**68**	98
Provisions	*21*	**73**	91
Other long-term financial liabilities	*22*	**168**	132
		4 605	731
Current liabilities			
Trade and other payables	*23*	**1 634**	1 508
Current income tax liabilities		**359**	365
Borrowings	*19*	**4**	53
Derivative financial instruments	*16*	**90**	67
Provisions	*21*	**312**	215
Bank overdrafts	*17*	**3 897**	1 685
Liabilities of disposal group held for sale	*36*	**19**	7
		6 315	3 900
Total liabilities		**10 920**	4 631
Total equity and liabilities		**25 558**	20 160

The notes on pages 66 to 116 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2018 €m	2017 €m
Sales	5	**10 979**	10 647
Cost of sales		**(3 829)**	(3 848)
Gross profit		**7 150**	6 799
Selling and distribution expenses		**(3 094)**	(3 044)
Communication expenses		**(1 106)**	(1 119)
Administrative expenses		**(1 047)**	(1 015)
Other operating (expense)/income	24	**(59)**	143
Operating profit		**1 844**	1 764
Finance costs	27	**(335)**	(233)
Finance income	27	**185**	73
Share of post-tax results of equity-accounted investments	10	**(41)**	(34)
Profit before taxation		**1 653**	1 570
Taxation	11	**(432)**	(360)
Profit for the year		**1 221**	1 210
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gain/(losses)	20	**32**	(99)
Tax on defined benefit plan actuarial losses	11	**(7)**	(20)
Share of other comprehensive income of equity-accounted investments	10	**–**	–
		25	(119)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the year		**(1 063)**	279
– reclassification to profit or loss		**(49)**	–
Loss on cash flow hedge	33	**(53)**	–
Tax on cash flow hedge		**9**	–
Share of other comprehensive income of equity-accounted investments	10	**(10)**	–
		(1 166)	279
Other comprehensive income, net of tax		**(1 141)**	160
Total comprehensive income		**80**	1 370
Profit attributable to:			
Owners of the parent company		**1 221**	1 210
Non-controlling interests		**–**	–
		1 221	1 210
Total comprehensive income attributable to:			
Owners of the parent company		**80**	1 370
Non-controlling interests		**–**	–
		80	1 370
Earnings per A share/10 B shares attributable to owners of the parent company during the year (expressed in € per share)			
From profit for the year			
Basic	28	**2.164**	2.145
Diluted	28	**2.158**	2.141

The notes on pages 66 to 116 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Share capital €m	Treasury shares €m	Hedge and share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
		Equity attributable to owners of the parent company							
Balance at 1 April 2016		334	(412)	289	2 725	12 111	15 047	–	15 047
Comprehensive income									
Profit for the year		–	–	–	–	1 210	1 210	–	1 210
Other comprehensive income		–	–	–	279	(119)	160	–	160
		–	–	–	279	1 091	1 370	–	1 370
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*18*	–	(20)	–	–	(28)	(48)	–	(48)
Employee share option plan		–	–	30	–	–	30	–	30
Tax on share option plan		–	–	8	–	–	8	–	8
Dividends paid	*29*	–	–	–	–	(878)	(878)	–	(878)
		–	(20)	38	–	(906)	(888)	–	(888)
Balance at 31 March 2017		**334**	**(432)**	**327**	**3 004**	**12 296**	**15 529**	**–**	**15 529**
Comprehensive income									
Profit for the year		**–**	**–**	**–**	**–**	**1 221**	**1 221**	**–**	**1 221**
Other comprehensive income		**–**	**–**	**(44)**	**(1 112)**	**15**	**(1 141)**	**–**	**(1 141)**
		–	**–**	**(44)**	**(1 112)**	**1 236**	**80**	**–**	**80**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*18*	**–**	**(88)**	**–**	**–**	**9**	**(79)**	**–**	**(79)**
Employee share option plan		**–**	**–**	**23**	**–**	**–**	**23**	**–**	**23**
Tax on share option plan		**–**	**–**	**(4)**	**–**	**–**	**(4)**	**–**	**(4)**
Increase in non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Dividends paid	*29*	**–**	**–**	**–**	**–**	**(918)**	**(918)**	**–**	**(918)**
		–	**(88)**	**19**	**–**	**(909)**	**(978)**	**7**	**(971)**
Balance at 31 March 2018		**334**	**(520)**	**302**	**1 892**	**12 623**	**14 631**	**7**	**14 638**

The notes on pages 66 to 116 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2018 €m	2017 €m
Cash flows from operating activities			
Cash flow generated from operations	*31*	**2 723**	1 896
Interest received		**72**	78
Interest paid		**(68)**	(69)
Dividends from equity-accounted investments	*10*	**3**	2
Taxation paid		**(346)**	(288)
Net cash generated from operating activities		**2 384**	1 619
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*35*	**(113)**	(3)
Proceeds from disposal of subsidiary undertakings, net of cash		**(14)**	370
Acquisition of equity-accounted investments		**(64)**	(55)
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**19**	–
Acquisition of property, plant and equipment		**(444)**	(536)
Proceeds from disposal of property, plant and equipment		**8**	15
Acquisition of intangible assets		**(43)**	(63)
Proceeds from disposal of intangible assets		**9**	14
Acquisition of investment property		**(213)**	–
Investment in money market and externally managed funds		**(6 832)**	(4 183)
Proceeds from disposal of money market and externally managed funds		**4 999**	3 988
Acquisition of other non-current assets and investments		**(631)**	(36)
Proceeds from disposal of other non-current assets and investments		**20**	14
Net cash used in investing activities		**(3 299)**	(475)
Cash flows from financing activities			
Proceeds from borrowings	32	**3 992**	101
Corporate bond issue transaction costs		**(17)**	–
Settlement of cash flow hedging derivative instrument		**(55)**	–
Repayment of borrowings		**(82)**	(131)
Dividends paid		**(918)**	(878)
Acquisition of treasury shares		**(141)**	(95)
Proceeds from sale of treasury shares		**70**	47
Contributions received from non-controlling interests		**6**	–
Capital element of finance lease payments		**(2)**	(2)
Net cash generated from/(used in) financing activities		**2 853**	(958)
Net change in cash and cash equivalents		**1 938**	186
Cash and cash equivalents at the beginning of the year		**2 765**	2 548
Exchange (losses)/gains on cash and cash equivalents		**(199)**	31
Cash and cash equivalents at the end of the year	*17*	**4 504**	2 765

The notes on pages 66 to 116 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

at 31 March 2018

1. General information

Compagnie Financière Richemont SA ('the Company') and its subsidiaries (together 'Richemont' or 'the Group') is one of the world's leading luxury goods groups. The Group's interests encompass several of the most prestigious names in the luxury industry including Cartier, Van Cleef & Arpels, Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC Schaffhausen, Baume & Mercier, Roger Dubuis, Montblanc, Alfred Dunhill, Chloé, Alaïa, Purdey and Peter Millar.

The Company is registered in Bellevue, Geneva, Switzerland. Shares of the Company are listed and traded on SIX Swiss Exchange and are included in the Swiss Market Index ('SMI') of leading stocks. Depository Receipts in respect of Richemont shares are traded on the Johannesburg Stock Exchange operated by JSE Limited. From March 2018, corporate bonds issued by a subsidiary of the Company are listed on the Luxembourg Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company ('the Board') on 17 May 2018 and are subject to approval at the shareholders' general meeting on 10 September 2018.

2. Summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (together 'IFRS').

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The policies set out in notes 2.2 to 2.6 have been consistently applied to the periods presented. Amendments to IFRS effective for the financial year ending 31 March 2018 do not have a material impact on the Group. Additional disclosures related to financing cash flows, as required by the amendments to IAS 7, are provided in note 32.

2.2. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary undertakings together with the Group's share of the results and net assets of equity-accounted investments.

(a) Subsidiary undertaking

Subsidiary undertakings are defined as those undertakings that are controlled by the Group and are consolidated from the date control commences until the date control ceases. Control of an undertaking exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The accounts of subsidiary undertakings are drawn up at 31 March of each year. Uniform accounting policies have been adopted.

(b) Associates and joint ventures

Associated undertakings are defined as those undertakings, not classified as subsidiary undertakings, where the Group is able to exercise a significant influence. Significant influence is presumed to exist where the Group holds between 20% and 50% of the voting rights of another entity. Joint ventures are those arrangements where the Group has joint control and rights to the net assets of the arrangement.

2.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is Swiss francs. The consolidated financial statements are presented in millions of euros (the 'presentation currency'). Management believes that this currency is more useful to the users of the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates prevailing during the period. The average rates approximate actual rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group companies

The assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated to euro at the closing exchange rates at the reporting date.

The income, expenses and cash flows of foreign operations are translated to euro at the average exchange rates.

All resulting foreign exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.4. Impairment of non-financial assets

All non-financial assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be fully recoverable, with the exception of intangible assets that have an indefinite useful life which are not subject to amortisation and so are tested annually for impairment. The Group has identified goodwill as the only category of intangible asset with an indefinite life.

Assets which do not generate cash flows independently of other assets are allocated to a cash generating unit ('CGU') for impairment testing. The CGUs are made up of assets grouped at the lowest levels for which there are separately identifiable cash flows, subject to an operating segment ceiling. An impairment loss is recognised for the amount by which a CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value, less costs to sell, and its value in use.

2.5. Revenue recognition

(a) Goods

Sales revenue is measured at the fair value of the consideration received from the sale of goods, net of value-added tax, duties, other sales taxes, rebates and trade discounts, and after eliminating sales within the Group. Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Where there is a practice of agreeing to customer returns, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Royalty income

Royalty income is recognised on the accruals basis in accordance with the substance of the relevant agreements.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.6. Other accounting policies

Details of the other accounting policies adopted by the Group can be found in the note to the financial statements to which they relate.

2.7. New standards and interpretations not yet adopted

Certain new accounting standards and amendments, issued by the IASB and interpretations issued by the IFRS Interpretations Committee are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets, and a new model for impairment testing and the calculation of loss allowances. The standard will be adopted by the Group with effect from 1 April 2018. The impact on the Group is not currently expected to be significant.

IFRS 15 *Revenue from Contracts with Customers* establishes a model to use in accounting for revenue, and will be adopted by the Group from 1 April 2018. Following a detailed analysis of the requirements of this new standard, the Group has concluded that the impact is not significant.

IFRS 16 *Leases* eliminates the distinction between operating and finance leases, resulting in the recognition of a right-to-use asset and corresponding lease liabilities for all of the Group's lease contracts. The income statement will record depreciation and finance costs, rather than rental expenses, and the cost of an individual rental contract will be higher at the beginning of the lease term, rather than spread evenly across the life of the lease. The Group will apply these new requirements from 1 April 2019, the adoption of which is expected to lead to a significant increase in total assets and total liabilities and to a moderate increase in operating profit. The Group intends to apply the simplified transition method.

3. Risk assessment

The Company has a risk management process which gives consideration to both strategic and operational risks. All identified risks are modelled according to their probability of occurrence and potential impact and subsequently prioritised by Group Management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

For any risks identified which relate to accounting and financial reporting, and to reduce the risk to the financial statements arising from material misstatement, whether due to fraud or error, the Group's internal control system framework defines relevant control measures which are implemented across the Group and appropriately monitored.

4. Critical accounting estimates and assumptions

The Group is required to make estimates and assumptions that affect the reported amount of certain asset, liability, income and expense items and certain disclosures regarding contingencies, and to make judgments in the process of applying its accounting policies. Estimates and assumptions applied by management are continuously evaluated and are based on information available, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the dates of preparation of the consolidated financial statements. Principal matters involving significant estimates, assumptions or judgments relate in particular to:

(a) Inventory

The Group records a provision against its inventory for damaged and non-sellable items. This provision is based on estimates made by management taking into consideration various factors including historical experience, estimated future demand, discontinuations and development of products.

The provision is assessed at each reporting date by the respective Maison and is adjusted accordingly. Details of the movement in the provision are provided in note 14.

(b) Uncertain tax provision

The Group is subject to income taxes in a number of jurisdictions due to its wide geographical expansion. There are a number of transactions and calculations on which the ultimate tax determination is uncertain. Management exercises judgment in determining the provision needed with respect to these uncertain tax positions. The amounts accrued are based on management's interpretation of the specific tax law. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Details of the Group's tax liabilities are given in note 11.

(c) Defined benefit pension obligations

The Group operates a number of defined benefit pension plans. The valuation of the Group's obligations under these plans is subject to a number of assumptions, such as discount rates and mortality rates, as well as the impact of local requirements in each jurisdiction in which a plan is operated.

Details of the Group's defined benefit pension liabilities and the assumptions underpinning the valuation at 31 March 2018 are given in note 20.

5. Segment information

(a) Information on reportable segments

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

- Jewellery Maisons – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier, Van Cleef & Arpels and Giampiero Bodino; and
- 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 Schaffhausen, Baume & Mercier and Roger Dubuis.

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

Other operating segments include Montblanc, Alfred Dunhill, Lancel, Chloé, Purdey, Peter Millar, Alaïa, investment property companies and other manufacturing entities. None of these segments meet the quantitative thresholds for determining reportable segments.

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 measurement is 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.

All inter-segment sales are eliminated in the reports reviewed by the CODM.

5. Segment information continued

(a) Information on reportable segments continued

The segment results from continuing operations for the years ended 31 March are as follows:

	2018 €m	2017 €m
External sales		
Jewellery Maisons	**6 447**	5 927
Specialist Watchmakers	**2 714**	2 879
Other	**1 818**	1 841
	10 979	10 647

	2018 €m	2017 €m
Operating result		
Jewellery Maisons	**1 926**	1 682
Specialist Watchmakers	**262**	226
Other	**(65)**	110
	2 123	2 018
Unallocated corporate costs	**(279)**	(254)
Consolidated operating profit before finance and tax	**1 844**	1 764
Finance costs	**(335)**	(233)
Finance income	**185**	73
Share of post-tax results of equity-accounted investments	**(41)**	(34)
Profit before taxation	**1 653**	1 570
Taxation	**(432)**	(360)
Profit for the year from continuing operations	**1 221**	1 210

	2018 €m	2017 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**205**	201
Specialist Watchmakers	**145**	157
Other	**102**	117
Unallocated	**87**	86
	539	561

In 2017 an impairment charge of € 2 million was included in the 'Other' segments. No impairment charges were recorded in 2018.

5. Segment information continued

(a) Information on reportable segments continued

The segment assets which are reviewed by the CODM comprise inventories and trade debtors.

	2018 €m	2017 €m
Segment assets		
Jewellery Maisons	**3 077**	3 289
Specialist Watchmakers	**1 503**	1 739
Other	**945**	904
	5 525	5 932

Total segment assets	**5 525**	5 932
Property, plant and equipment	**2 325**	2 558
Goodwill	**297**	298
Other intangible assets	**370**	391
Investment property	**222**	12
Equity-accounted investments	**1 308**	1 307
Deferred income tax assets	**604**	724
Financial assets at fair value through profit or loss	**5 504**	3 488
Other non-current assets	**401**	430
Other receivables	**413**	366
Derivative financial instruments	**18**	20
Prepayments	**151**	163
Cash at bank and on hand	**8 401**	4 450
Assets of disposal group held for sale	**19**	21
Total assets	**25 558**	20 160

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

	2018 €m	2017 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**209**	238
Specialist Watchmakers	**110**	122
Other	**313**	133
Unallocated	**81**	94
	713	587

5. Segment information continued

(b) Information about geographical areas

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

	2018 €m	2017 €m
Europe	**2 986**	3 068
France	**707**	711
Switzerland	**437**	450
Germany, Italy and Spain	**845**	839
Other Europe	**997**	1 068
Middle East and Africa	**856**	885
Asia	**5 332**	4 913
China, Hong Kong and Macau	**2 955**	2 585
Japan	**980**	1 010
South Korea	**604**	513
Other Asia	**793**	805
Americas	**1 805**	1 781
USA	**1 473**	1 435
Other Americas	**332**	346
	10 979	10 647

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

The total non-current assets, other than financial instruments and deferred tax assets, located in Switzerland, the Company's domicile, and the rest of the world are as follows:

	2018 €m	2017 €m
Switzerland	**1 789**	1 982
United Kingdom	**1 202**	1 371
USA	**330**	353
Rest of the world	**1 470**	1 138
	4 791	4 844

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

(c) Information about products

External sales by product are as follows:

	2018 €m	2017 €m
Watches	**4 368**	4 340
Jewellery	**4 537**	4 160
Leather goods	**780**	779
Clothing	**403**	419
Writing instruments	**394**	396
Other	**497**	553
	10 979	10 647

(d) Major customers

Sales to no single customer represented more than 10% of total revenue.

6. Property, plant and equipment

Accounting policy

All property, plant and equipment is shown at cost less accumulated depreciation and impairment. Depreciation on property, plant and equipment is calculated using the straight-line method over the asset's estimated useful life, up to the following limits:

- Buildings — 40 years
- Plant and machinery — 20 years
- Fixtures, fittings, tools and equipment — 15 years

Residual values and useful lives are reviewed annually and adjusted if appropriate. Assets under construction are not depreciated.

Assets held under finance leases are initially recognised at the lower of the present value of future minimum lease payments and the fair value of the leased item. In cases where land and buildings are acquired under finance leases, separate values of the land and buildings are established. All property, plant and equipment so recognised is depreciated over the shorter of the asset's expected useful life or the lease term.

Land is not depreciated.

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2016					
Cost	1 299	830	2 494	194	4 817
Depreciation	(369)	(523)	(1 449)	–	(2 341)
Net book value at 1 April 2016	930	307	1 045	194	2 476
Exchange adjustments	14	5	37	5	61
Additions	36	40	308	141	525
Disposals	(4)	(5)	(15)	(2)	(26)
Depreciation charge	(51)	(69)	(347)	–	(467)
Impairment charge	–	–	(2)	–	(2)
Reclassified to assets held for sale (note 36)	(1)	(6)	(1)	–	(8)
Transfers and reclassifications	15	3	135	(154)	(1)
31 March 2017					
Cost	1 351	832	2 839	184	5 206
Depreciation	(412)	(557)	(1 679)	–	(2 648)
Net book value at 31 March 2017	939	275	1 160	184	2 558

6. Property, plant and equipment continued

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2017					
Cost	**1 351**	**832**	**2 839**	**184**	**5 206**
Depreciation	**(412)**	**(557)**	**(1 679)**	**–**	**(2 648)**
Net book value at 1 April 2017	**939**	**275**	**1 160**	**184**	**2 558**
Exchange adjustments	**(75)**	**(20)**	**(91)**	**(14)**	**(200)**
Acquisition through business combinations	**–**	**–**	**4**	**–**	**4**
Additions	**39**	**29**	**283**	**109**	**460**
Disposals	**(4)**	**(2)**	**(9)**	**(2)**	**(17)**
Depreciation charge	**(52)**	**(61)**	**(341)**	**–**	**(454)**
Reclassified to assets held for sale (note 36)	**(11)**	**–**	**(14)**	**(1)**	**(26)**
Transfers and reclassifications	**40**	**6**	**59**	**(105)**	**–**
31 March 2018					
Cost	**1 287**	**780**	**2 757**	**171**	**4 995**
Depreciation	**(411)**	**(553)**	**(1 706)**	**–**	**(2 670)**
Net book value at 31 March 2018	**876**	**227**	**1 051**	**171**	**2 325**

Land and buildings comprise mainly factories, retail boutiques and offices.

Included above is property, plant and equipment held under finance leases with a net book value of € 48 million (2017: € 37 million) comprising land and building € 47 million (2017: € 35 million); and fixtures, fittings, tools and equipment € 1 million (2017: € 2 million).

Impairment charges of € 2 million in the prior year were included in selling and distribution expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 77 million at 31 March 2018 (2017: € 89 million).

7. Goodwill

Accounting policy
Goodwill is allocated to the cash-generating units (CGUs) for the purpose of impairment testing that are expected to benefit from the business combination in which the goodwill arose. It is tested annually for impairment and carried at cost less accumulated impairment losses.

	€m
Cost at 1 April 2016	291
Exchange adjustments	7
Cost at 31 March 2017	**298**
Exchange adjustments	**(27)**
Goodwill arising on business combinations (note 35)	**26**
Cost at 31 March 2018	**297**

Impairment testing for goodwill

No single CGU has an allocation of goodwill which is significant to the Group.

The recoverable amount of the Group's CGUs has been calculated using value-in-use. The discounted cash flow model used for impairment testing considers five years of cash flows and a long-term growth rate based on the long-term inflation rate appropriate to the relevant markets. The budget EBITDA is based on expected future results taking into consideration past experience with adjustments for anticipated sales growth. Sales growth is projected, taking into account the average growth levels experienced over the past five years and the volumes expected over the next five years. The discount rate is a pre-tax measure that reflects the specific risk relating to the CGU.

No impairment has been identified at 31 March 2018 (2017: none). A reasonably possible change in key assumptions at 31 March 2018 would not cause the carrying amount of any of the remaining CGUs to exceed the recoverable amount.

8. Other intangible assets

Accounting policy

Other intangible assets are shown at cost less accumulated amortisation and impairment. Amortisation of other intangible assets is calculated using the straight-line method over the asset's estimated useful life, or contractual life if applicable, up to the following limits:

• Computer software	5 years
• Software licenses	15 years
• Development costs	10 years
• Intellectual property related	50 years
• Distribution rights	5 years
• Leasehold rights	20 years

Costs that are directly associated with developing, implementing or improving identifiable software products having an expected benefit beyond one year are recognised as other intangible assets. Costs associated with maintaining computer software are expensed as incurred.

Leasehold rights represent premiums paid to parties other than the lessor at the inception of operating leases and are amortised over their expected useful lives or, if shorter, the lease period.

Costs incurred on development projects, including internally generated costs, are recognised as other intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. These assets are amortised from the commencement of commercial production of the product. Other development expenditures and research expenditures are expensed as incurred.

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2016					
Cost	209	265	166	211	851
Amortisation	(96)	(131)	(109)	(94)	(430)
Net book value at 1 April 2016	113	134	57	117	421
Exchange adjustments	4	–	2	2	8
Additions:					
– internally developed	–	–	–	29	29
– other	–	21	12	–	33
Disposals	–	–	–	(7)	(7)
Amortisation charge	(13)	(28)	(22)	(31)	(94)
Transfers and reclassifications	–	–	1	–	1
31 March 2017					
Cost	214	280	178	220	892
Amortisation	(110)	(153)	(128)	(110)	(501)
Net book value at 31 March 2017	104	127	50	110	391

8. Other intangible assets continued

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2017					
Cost	**214**	**280**	**178**	**220**	**892**
Amortisation	**(110)**	**(153)**	**(128)**	**(110)**	**(501)**
Net book value at 1 April 2017	**104**	**127**	**50**	**110**	**391**
Exchange adjustments	**(12)**	**(4)**	**(3)**	**(9)**	**(28)**
Acquisition through business combinations	**23**	**40**	**–**	**–**	**63**
Additions:					
– internally developed	**–**	**–**	**–**	**26**	**26**
– other	**–**	**1**	**13**	**–**	**14**
Disposals	**–**	**(2)**	**–**	**(9)**	**(11)**
Amortisation charge	**(10)**	**(27)**	**(18)**	**(28)**	**(83)**
Reclassification to assets held for sale (note 36)	**–**	**(2)**	**–**	**–**	**(2)**
Transfers and reclassifications	**–**	**–**	**–**	**–**	**–**
31 March 2018					
Cost	**215**	**283**	**171**	**201**	**870**
Amortisation	**(110)**	**(150)**	**(129)**	**(111)**	**(500)**
Net book value at 31 March 2018	**105**	**133**	**42**	**90**	**370**

Amortisation of € 29 million (2017: € 32 million) is included in cost of sales; € 23 million (2017: € 26 million) is included in selling and distribution expenses; € 17 million (2017: € 21 million) is included in administration expenses; and € 13 million (2017: € 15 million) is included in other expenses.

Computer software and related licences include internally generated computer software, whilst internally generated product development costs are included within the total for development costs.

Committed capital expenditure not reflected in these financial statements amounted to € 1 million at 31 March 2018 (2017: € 0 million).

Notes to the consolidated financial statements continued

9. Investment property

Accounting policy

Investment property consists of land and buildings held to earn rental income or for capital appreciation, or both, and not for use in the operating or administrative activities of the Group. Where only an insignificant portion of the whole property is for own use the entire property is recognised as an investment property. Otherwise the part of the property used internally is recognised within property, plant and equipment.

Investment property is measured at cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the asset's expected useful life, up to a maximum of 40 years. Land is not depreciated.

	€m
1 April 2016	
Cost	193
Depreciation	(2)
Net book value at 1 April 2016	191
Depreciation	–
Disposal	(179)
31 March 2017	
Cost	12
Depreciation	–
Net book value at 31 March 2017	12

	€m
1 April 2017	
Cost	**12**
Depreciation	**–**
Net book value at 1 April 2017	**12**
Exchange adjustments	**(1)**
Additions	**213**
Depreciation	**(2)**
31 March 2018	
Cost	**224**
Depreciation	**(2)**
Net book value at 31 March 2018	**222**

The Group owns investment properties located in Canada, France and Denmark. Independent property valuers performed market valuations of the Group's property at 31 March 2018. The property valuers, who are external to the Group, hold appropriate recognised professional qualifications and have recent experience in the location and category of properties being valued. The fair value of the properties were determined using the income approach considering recent market transactions, supported by market knowledge and the current and future rental income potential arising from the existing leases.

The fair value is considered as Level 3 in the fair value hierarchy as described in IFRS. The most significant inputs considered in the valuation were the capitalisation rates of between 2.9% and 4.75% and the current and future level of rental income per square metre. The fair value of the Group's investment properties was determined to be € 229 million at 31 March 2018 (2017: one property had a fair value of € 13 million).

Investment properties with a net book value of € 31 million are pledged as security for long-term liabilities at 31 March 2018 (2017: none).

Committed capital expenditure on investment properties not reflected in these financial statements amounted to € 62 million (2017: € 0 million).

9. Investment property continued

The Group leases out its investment properties. The minimum rental payments under non-cancellable leases receivable at 31 March are not significant.

Rental income of € 1 million was received in the year to 31 March 2018 and included as other operating income (2017: € 4 million). Repairs and maintenance expenses included as other operating expenses were as follows:

Expenses relating to:	2018 €m	2017 €m
Income generating properties	**5**	20
Vacant properties	**–**	–
	5	20

Investment properties are leased out for use as retail or office space with contract terms ending 2032. The lease terms are comparable with the market for retail or office space in the appropriate location, recognising the commencement date of the lease. These include a mix of fixed base rent, fixed annual increases and variable rentals based on a percentage of sales achieved by the lessee.

10. Equity-accounted investments

Accounting policy

Associated undertakings and joint ventures ('equity-accounted investments') are accounted for using the equity method.

Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in the equity-accounted investments. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investment, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investment.

Goodwill arising on the acquisition of equity-accounted investments is included in the carrying value of the equity-accounted investment and is tested for impairment whenever events or changes in circumstance indicate that the carrying amount of the investment may not be fully recoverable.

	€m
At 1 April 2016	1 283
Exchange adjustments	(5)
Acquisition of equity-accounted investments	55
Disposal of equity-accounted investments	–
Dividend received	(2)
Share of post-tax results	(34)
Share of other comprehensive income	–
Share of losses offset against long-term receivable from an equity-accounted investment	10
At 31 March 2017	**1 307**
Exchange adjustments	**(5)**
Acquisition of equity-accounted investments	**75**
Capital distribution from equity-accounted investments	**(15)**
Dividend received	**(3)**
Share of post-tax results	**(41)**
Share of other comprehensive income	**(10)**
At 31 March 2018	**1 308**

Notes to the consolidated financial statements continued

10. Equity-accounted investments continued

The value of equity-accounted investments at 31 March 2018 includes goodwill of € 872 million (2017: € 844 million).

The Group's principal equity-accounted investments at 31 March 2018 are as follows:

		2018 interest held (%)	2017 interest held (%)	Country of incorporation	Country of operation
Associates					
Greubel Forsey SA	Watchmaker	**20**	20	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	**35**	35	Switzerland	Switzerland
Schwab-Feller AG	Watch component manufacturer	**20**	20	Switzerland	Switzerland
YOOX NET-A-PORTER GROUP S.p.A. [1]	e-commerce	**49**	49	Italy	Worldwide
Kering Eyewear S.p.A	Eyewear manufacturer/distributor	**30**	0	Italy	Worldwide
Joint ventures					
Fook Ming Watch Limited	Distributor of watch products	**0**	50	Hong Kong	Hong Kong
Laureus World Sports Awards Limited	Sports Awards	**50**	50	United Kingdom	Worldwide
Ralph Lauren Watch & Jewelry Company Sàrl	Watchmaker	**50**	50	Switzerland	Worldwide
Dalloz Pre-Setting SAS	Jewellery manufacturer	**33**	33	France	France
New Bond Street JV Jersey Unit Trust	Investment entity	**48**	48	United Kingdom	United Kingdom
New Bond Street JV II Unit Trust	Investment entity	**46**	46	United Kingdom	United Kingdom
Montblanc India Retail Private Limited [2]	Distributor of products	**51**	51	India	India

1. The Group's share of the total voting rights of YOOX NET-A-PORTER GROUP S.p.A. is limited to 25%.
2. Montblanc India Retail Private Limited is classified as a joint venture due to the terms of the agreement between the Group and the joint venture partner.

10. Equity-accounted investments continued

(a) YOOX NET-A-PORTER GROUP

The summarised financial information and reconciliation to the amounts recognised in the Group statement of financial position and profit or loss in respect of the Group's share of results of its principal associated undertaking, YOOX NET-A-PORTER GROUP, is as follows:

	2018 €m	2017 €m
Revenue	**2 091**	1 871
Profit/(loss) for the period	**(21)**	(49)
Other comprehensive income	**(20)**	–
Total comprehensive income	**(41)**	(49)
Group's share of loss at % owned	**(16)**	(9)
Amortisation of fair-value adjustments on acquisition	**(13)**	(13)
Amount recognised in profit	**(29)**	(22)
Group's share of Other comprehensive income at % owned	**(10)**	–
Amount recognised in Other comprehensive income	**(10)**	–

	2018 €m	2017 €m
Non-current assets	**406**	423
Current assets	**1 100**	866
Non-current liabilities	**(164)**	(85)
Current liabilities	**(853)**	(641)
Net assets	**489**	563
Group's share of net assets	**274**	305
Goodwill	**829**	837
Carrying amount of equity-accounted investments	**1 103**	1 142

The financial year-end of YOOX NET-A-PORTER GROUP is 31 December. The information above reflects the amounts presented in the publicly available financial statements of YOOX NET-A-PORTER at that date, which are prepared in accordance with IFRS (as adopted in the EU). These amounts are adjusted for fair value adjustments at acquisition and differences in accounting policy.

As at 31 March 2018, the fair value of the Group's interest in YOOX NET-A-PORTER GROUP, which is listed on the Milan Stock Exchange, was € 2 480 million (2017: € 1 464 million). As this valuation is based on the quoted share price at that date, it is classified as a Level 1 in the fair value hierarchy under IFRS.

10. Equity-accounted investments continued

(b) Other equity-accounted investments

No other equity-accounted investment is considered individually significant to the Group. The summarised financial information is provided on an aggregate basis, together with a reconciliation to the amounts recognised in the Group statement of financial position and profit or loss:

	Associated undertakings		Joint ventures		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Revenue	**230**	59	**30**	10	**260**	69
Profit/(loss) for the year	**8**	–	**(4)**	(21)	**4**	(21)
Other comprehensive income for the year	**1**	–	**–**	–	**1**	–
Total comprehensive income	**9**	–	**(4)**	(21)	**5**	(21)
Group's share of loss at individual % owned	**(4)**	–	**(8)**	(11)	**(12)**	(11)
Amount recognised in profit or (loss)	**(4)**	–	**(8)**	(11)	**(12)**	(11)
Group's share of Other comprehensive income at % owned	**–**	–	**–**	–	**–**	–
Amount recognised in Other comprehensive income	**–**	–	**–**	–	**–**	–

	Associated undertakings		Joint ventures		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Non-current assets	**107**	57	**641**	634	**748**	691
Current assets	**243**	41	**28**	29	**271**	70
Non-current liabilities	**(21)**	(30)	**(355)**	(437)	**(376)**	(467)
Current liabilities	**(192)**	(13)	**(27)**	(39)	**(219)**	(52)
Net assets	**137**	55	**287**	187	**424**	242
Group's share of net assets	**34**	13	**128**	85	**162**	98
Goodwill	**43**	7	**–**	–	**43**	7
Losses recognised against long-term loan	**–**	–	**–**	60	**–**	60
Carrying amount of equity-accounted investments	**77**	20	**128**	145	**205**	165

The information above reflects the amounts presented in the financial statements of the equity-accounted investments, adjusted for fair value adjustments at acquisition and differences in accounting policies.

11. Taxation

Accounting policy

Current tax is the expected tax payable or receivable on the taxable profits (losses) of Group companies, calculated using local tax rates enacted or substantively enacted at the reporting date, and includes adjustments in respect of previous years, where applicable.

Deferred tax is provided using the liability method in accordance with IAS 12 and is determined using the tax rates and laws enacted or substantively enacted when the deferred tax is realised or settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and equity-accounted investments, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the related tax effect is also recognised directly in equity or in other comprehensive income.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

11.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2016 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2017 €m
Depreciation	22	1	2	–	–	25
Provision on inventories	44	1	–	–	–	45
Bad debt reserves	3	–	–	–	–	3
Employee benefits obligation	66	–	(15)	(20)	(1)	30
Unrealised gross margin elimination	514	21	4	–	–	539
Tax losses carried forward	19	–	(12)	–	–	7
Deferred tax on option plan	22	–	(8)	8	–	22
Other	123	4	22	–	–	149
	813	27	(7)	(12)	(1)	820
Offset against deferred tax liabilities for entities settling on a net basis	(113)					(96)
	700					724

	1 April 2017 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2018 €m
Depreciation	**25**	**(2)**	**6**	**–**	**–**	**29**
Provision on inventories	**45**	**(3)**	**2**	**–**	**–**	**44**
Bad debt reserves	**3**	**–**	**(1)**	**–**	**–**	**2**
Employee benefits obligation	**30**	**–**	**(1)**	**(7)**	**–**	**22**
Unrealised gross margin elimination	**539**	**(39)**	**(63)**	**–**	**–**	**437**
Tax losses carried forward	**7**	**–**	**–**		**–**	**7**
Deferred tax on option plan	**22**	**(2)**	**–**	**(4)**	**–**	**16**
Other	**149**	**(11)**	**9**	**–**	**1**	**148**
	820	**(57)**	**(48)**	**(11)**	**1**	**705**
Offset against deferred tax liabilities for entities settling on a net basis	**(96)**					**(101)**
	724					**604**

€ 223 million of deferred tax assets are expected to be recovered after more than twelve months (2017: € 236 million).

11. Taxation continued

11.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2016 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2017 €m
Depreciation	(29)	(1)	(18)	–	–	(48)
Provision on inventories	(50)	(1)	37	–	–	(14)
Undistributed retained earnings	(31)	–	(1)	–	–	(32)
Other	(13)	–	3	–	–	(10)
	(123)	(2)	21	–	–	(104)
Offset against deferred tax assets for entities settling on a net basis	113					96
	(10)					(8)

	1 April 2017 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2018 €m
Depreciation	**(48)**	**4**	**7**	**–**	**–**	**(37)**
Provision on inventories	**(14)**	**1**	**(3)**	**–**	**–**	**(16)**
Undistributed retained earnings	**(32)**	**–**	**(2)**	**–**	**–**	**(34)**
Other	**(10)**	**1**	**(8)**	**–**	**(5)**	**(22)**
	(104)	**6**	**(6)**	**–**	**(5)**	**(109)**
Offset against deferred tax assets for entities settling on a net basis	**96**					**101**
	(8)					**(8)**

€ 93 million of deferred tax liabilities are expected to be settled after more than twelve months (2017: € 90 million).

(c) Unrecognised deferred tax assets

Deferred tax assets are recognised for losses carried forward when it is considered likely that the losses will be utilised against future taxable profits, based on estimated future profitability in the relevant tax jurisdiction. The Group has not recognised a deferred tax asset in respect of tax losses of € 671 million (2017: € 637 million). € 572 million of the unrecognised tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2017: € 522 million). The remainder of the unrecognised tax losses have maximum expiration dates of between five and ten years. Additionally, the Group has not recognised a deferred tax asset in respect of other temporary differences of € 104 million (2017: € 161 million).

11.2. Taxation charge from continuing operations

Taxation charge for the year:

	2018 €m	2017 €m
Current tax	**378**	374
Deferred tax charge/(credit)	**54**	(14)
	432	360

The average effective tax rate is calculated in respect of profit before taxation but excluding the share of post-tax results of equity-accounted investments. The rates for the years ended 31 March 2018 and 2017 were 25.5% and 22.5% respectively.

11. Taxation continued

11.2. Taxation charge from continuing operations continued

The taxation charge on the Group's profit before tax differs from the amount that arises using the local statutory tax rates applicable to profits of the consolidated companies as follows:

	2018 €m	2017 €m
Profit before taxation	**1 653**	1 570
Share of post-tax results of equity-accounted investments	**41**	34
Adjusted profit before taxation	**1 694**	1 604
Tax on adjusted profit calculated at statutory tax rate	**356**	337
Difference in tax rates	**2**	(15)
Non-taxable income	**(5)**	(3)
Non-deductible expenses net of other permanent differences	**9**	(23)
Utilisation and recognition of prior year tax losses	**(2)**	(9)
Non-recognition of current year tax losses	**38**	48
Withholding and other taxes	**49**	15
Prior year adjustments	**(15)**	10
Taxation charge	**432**	360

The statutory tax rate applied of 21% reflects the average rate applicable to the main Swiss-based operating companies.

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

	2018 €m	2017 €m
Non-current:		
Investments in listed undertakings	**431**	–
Investments in unlisted undertakings	**16**	7
Total non-current	**447**	7
Current:		
Investments in money market and externally managed funds	**5 057**	3 481
Total current	**5 057**	3 481
Total financial assets held at fair value through profit or loss	**5 504**	3 488

Investments in listed and unlisted undertakings and money market funds were designated as held at fair value through profit or loss on initial recognition. These assets are managed and their performance is evaluated on a fair value basis. Management reviews performance and valuation of these investments on a regular basis. Investments in externally managed funds are classified as Held for Trading.

Listed investments at 31 March 2018 include the Group's investment in Dufry SA, an entity listed on the Swiss Stock Exchange.

Notes to the consolidated financial statements continued

13. Other non-current assets

Accounting policy
Included within other non-current assets is the Group's collection of heritage pieces, held primarily for presentation purposes to promote the Maisons and their history and not intended for sale. These assets are held at cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

	2018 €m	2017 €m
Maisons' collections	**233**	248
Lease deposits	**125**	143
Loans and receivables	**7**	9
Other assets	**36**	30
	401	430

The carrying values of lease deposits, loans and receivables approximate their fair values. There are no overdue or impaired amounts included in deposits, loans and receivables.

Included in loans and receivables is an amount of € 2 million (2017: € 2 million) due from an equity-accounted investment.

14. Inventories

Accounting policy
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using either a weighted average or specific identification basis depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour, related production overheads and, where applicable, duties and taxes.

	2018 €m	2017 €m
Raw materials and work in progress	**1 837**	1 959
Finished goods	**3 756**	3 992
	5 593	5 951
Provision for inventory	**(650)**	(649)
	4 943	5 302

The cost of inventories recognised as an expense and included in cost of sales amounted to € 3 234 million (2017: € 3 194 million).

The Group reversed € 83 million (2017: € 108 million) of a previous inventory write-down during the year as the goods were sold at an amount in excess of the written-down value. The amount reversed has been credited to cost of sales.

The Group recognised € 294 million (2017: € 329 million) of write-down of inventory within cost of sales.

15. Trade and other receivables

Accounting policy

The carrying value of trade receivables represents the original invoice amount, being the fair value at initial recognition, less provision for impairment. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. Impairment losses are recognised in profit or loss for the period.

	2018 €m	2017 €m
Trade receivables	**603**	651
Less: provision for impairment	**(21)**	(21)
Trade receivables – net	**582**	630
Loans and other receivables	**413**	366
	995	996

Trade and other receivables are valued based on expected cash flows which are not discounted as they are expected to occur within the next twelve months.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally dispersed customers. The maximum exposure to credit risk is equal to the carrying value.

In addition to the amounts above there are non-current assets amounting to € 132 million (2017: € 152 million) and cash balances as disclosed in note 17 which are considered to be loans and receivables.

Provision for impairment

A provision for impairment is recognised for all expected bad debts and is provided on a specific basis.

The movement in the provision for impairment of trade and other receivables was as follows:

	2018 €m	2017 €m
Balance at 1 April of prior year	**(21)**	(22)
Provision charged to profit or loss	**(14)**	(11)
Utilisation of provision	**2**	3
Reversal of unutilised provision	**11**	9
Exchange differences	**1**	–
Balance at 31 March	**(21)**	(21)

At 31 March 2018, trade and other receivables of € 30 million (2017: € 26 million) were impaired.

Receivables past due but not impaired:

	2018 €m	2017 €m
Up to three months past due	**56**	59
Three to six months past due	**8**	9
Over six months past due	**4**	4
	68	72

Based on past experience, the Group does not impair receivables that are not past due unless they are known to be bad debts. The Group has established credit check procedures that ensure the high creditworthiness of its customers.

Due to their short maturity, the fair values of trade and other receivables approximate to their book values.

16. Derivative financial instruments

The Group uses the following derivative instruments:

(a) currency forwards: representing commitments to purchase or sell foreign currencies; and

(b) interest rate swaps (including forward-starting interest rate swaps) and cross-currency swaps: commitments to exchange one set of cash flows for another. Interest rate swaps result in an economic exchange of interest rates (for example, fixed for floating). No exchange of principal takes place. The Group's credit exposure represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation.

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the reporting date but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The fair value of publicly traded derivatives, securities and investments is based on quoted market prices at the reporting date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date.

The nominal amounts and fair values of derivative instruments held are as follows:

	Nominal amount		Fair value assets		Fair value liabilities	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Currency forwards	**3 034**	2 737	**18**	13	**(74)**	(57)
Cross-currency swap derivatives	**162**	187	**–**	7	**(11)**	–
Interest rate swap derivatives	**325**	374	**–**	–	**(5)**	(10)
	3 521	3 298	**18**	20	**(90)**	(67)

The contractual maturity of the nominal value of derivative instruments held is as follows:

	Less than 6 months		Between 6 and 12 months		After 12 months	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Currency forwards	**1 579**	1 378	**1 455**	1 359	**–**	–
Cross-currency swap derivatives	**–**	–	**162**	187	**–**	–
Interest rate swap derivatives	**–**	–	**–**	–	**325**	374
	1 579	1 378	**1 617**	1 546	**325**	374

Nominal amount

Nominal amounts represent the following:

- Currency forwards: the sum of all contract volumes outstanding at the year end.
- Interest rate and cross-currency swaps: the notional principal amount on which the exchanged interest payments are based.

Foreign currency amounts have been translated to euros using the exchange rates prevailing at the reporting date.

17. Cash and cash equivalents

	2018 €m	2017 €m
Cash at bank and on hand	**8 401**	4 450
Bank overdrafts	**(3 897)**	(1 685)
	4 504	2 765

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The effective interest rate on cash at bank was 0.7 % (2017: 0.5 %). The effective interest rate on bank overdrafts was 0.7 % (2017: 1.6 %).

18. Equity

18.1. Share capital

Accounting policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

	2018 €m	2017 €m
Authorised, issued and fully paid:		
522 000 000 'A' registered shares with a par value of CHF 1.00 each	**304**	304
522 000 000 'B' registered shares with a par value of CHF 0.10 each	**30**	30
	334	334

Holders of ‘A’ and ‘B’ shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, ‘B’ shareholders receive one tenth of the dividend per share paid to the ‘A’ shareholders.

18.2. Treasury shares

Accounting policy
The cost of treasury shares held at each reporting date is deducted from shareholders’ equity. Gains or losses arising on the disposal of treasury shares are recognised within retained earnings directly in shareholders’ equity.

In order to hedge partially its potential obligations arising under the share option plan, the Group has purchased Richemont ‘A’ shares. Changes in the holding of this treasury stock of shares are shown as movements in shareholders’ equity as follows:

	Shares millions	€m
Balance at 1 April 2016	9.6	412
Purchased	1.8	95
Sold	(2.0)	(75)
Balance at 31 March 2017	**9.4**	**432**
Purchased	**1.9**	**141**
Sold	**(1.7)**	**(53)**
Balance at 31 March 2018	**9.6**	**520**

The Company has given a pledge over 2 465 780 Richemont ‘A’ shares as security for vested warrants granted under the Group’s share option plan (2017: 2 839 703 Richemont ‘A’ shares).

During the year under review the Group acquired 1.9 million treasury shares in the open market, at a total cost of € 141 million (2017: 1.8 million shares at a total cost of € 95 million). These treasury shares provide a comprehensive hedge of the Group’s potential obligations arising under the share option plan.

18. Equity continued

18.2. Treasury shares continued

In the same period the Group delivered € 1.7 million treasury shares for proceeds of € 62 million, in settlement of options exercised in the period and traded options exercised in previous periods (2017: 2.0 million shares for proceeds of € 47 million). The cost value of the 1.7 million shares (2017: 2.0 million) sold during the year to plan participants who exercised their options was € 53 million (2017: € 75 million). The gain realised on shares sold during the year amounted to € 9 million (2017: loss of € 28 million) which was recognised directly in retained earnings.

The market value of the 9.6 million shares (2017: 9.4 million) held by the Group at the year end, based on the closing price at 31 March 2018 of CHF 85.76 (2017: CHF 79.20), amounted to € 704 million (2017: € 693 million).

18.3. Hedge and share option reserve

	2018 €m	2017 €m
Balance at 1 April of prior year	**327**	289
Movement in hedge reserve		
– cash flow hedge	**(53)**	–
– tax on cash flow hedge movements	**9**	–
Movement in employee share option reserve		
– equity-settled share option expense	**23**	30
– tax on share option expense	**(4)**	8
Balance at 31 March	**302**	327

18.4. Retained earnings

	2018 €m	2017 €m
Balance at 1 April of prior year	**12 296**	12 111
Profit for the year	**1 221**	1 210
Other comprehensive income:		
– defined benefit plan actuarial gains/(losses)	**32**	(99)
– tax on defined benefit plan actuarial (losses)/gains	**(7)**	(20)
– share of other comprehensive income of associates, net of tax	**(10)**	–
Dividends paid (note 29)	**(918)**	(878)
Gain / (loss) on sale of treasury shares	**9**	(28)
Balance at 31 March	**12 623**	12 296

18.5. Legal reserves

Legal reserves amounting to € 95 million (2017: € 95 million) are included in the reserves of Group companies but are not available for distribution.

19. Borrowings

Accounting policy

Borrowings, including corporate bonds, are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

	2018 €m	2017 €m
Non-current:		
Corporate bonds	**3 922**	–
Unsecured bank borrowings	**341**	374
Finance lease obligations	**25**	28
	4 288	402
Current:		
Unsecured bank borrowings	**3**	52
Finance lease obligations	**1**	1
	4	53
Total borrowings	**4 292**	455

The Group's borrowings are denominated in the following currencies:

	2018 €m	2017 €m
Euro	**3 922**	–
US dollar	**325**	374
Swiss franc	**22**	25
Taiwan dollar	**–**	44
Other	**23**	12
	4 292	455

The Group's borrowings are subject to fixed and floating interest rates as follows:

	2018 €m	2017 €m
Fixed rate borrowings	**4 263**	374
Floating rate borrowings	**3**	52
Finance lease obligations	**26**	29
	4 292	455

The carrying value of the Group's floating rate borrowings approximate their fair values.

The Group has three fixed rate borrowings other than the corporate bonds; a 2.95% fixed rate USD borrowing of € 325 million maturing in 2019 and two fixed rate DKK borrowings totalling € 16 million for which the rates of 0.55% and 0.56% are fixed until 2020. The Group has provided an irrevocable and unconditional guarantee for the repayment of the USD-denominated loan committed by one of the Group's subsidiaries. The DKK loans are secured on the Group's investment property located in Copenhagen. The fair values of the fixed rate borrowings are based on the future cash flow discounted using a rate based on the borrowing rate over the remaining loan term and are within Level 2 of the fair value hierarchy under IFRS.

19. Borrowings continued

In March 2018, a subsidiary of the Group based in Luxembourg, Richemont International Holding SA, issued the following corporate bonds which are listed on the Luxembourg Stock Exchange:

	2018 €m	2017 €m
1.00% € 1 500 million bond maturing in 2026 issued at 98.784%	**1 476**	–
1.50% € 1 250 million bond maturing in 2030 issued at 98.701%	**1 228**	–
2.00% € 1 000 million bond maturing in 2038 issued at 97.805%	**973**	–
2.00% € 250 million bond maturing in 2038 issued at 98.557%	**245**	–
	3 922	–

Finance lease obligations

	Minimum lease payments		Interest		Present value of finance lease obligations	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Within one year	**2**	2	**1**	1	**1**	1
Between one and five years	**4**	5	**3**	3	**1**	2
After more than five years	**95**	103	**71**	77	**24**	26
	101	110	**75**	81	**26**	29

20. Employee benefits obligation

Accounting policy

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair values of plan assets. The defined benefit obligations are calculated on a regular cyclical basis by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yields available at reporting dates on high-quality corporate or government bonds (in countries with no deep corporate bond market) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the terms of the related pension liability.

Past service costs are recognised immediately in profit or loss. Remeasurements, comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when employees have rendered services entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group operates a number of post-employment benefit plans throughout the world which are classified as defined benefit under IFRS. The plans are generally funded through payments to separately administered funds by both employees and relevant Group companies taking into account periodic actuarial calculations. The Group's major defined benefit plans are in Switzerland and the UK.

Switzerland

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a defined contribution basis. Under IAS19 *Employee Benefits*, the foundation is categorised as a defined benefit plan due to underlying benefit guarantees and therefore it is accounted for on that basis.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the foundation rules based on a percentage of salary. Every year the foundation Board decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account as a lump sum or have this paid as a pension.

20. Employee benefits obligation continued

The foundation Board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees and therefore if any surplus arises this is not deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contributions to the foundation.

The weighted average duration of the expected benefit payments from the foundation is approximately 16 years.

In addition, the Group sponsors a number of other smaller arrangements in Switzerland which are included in the figures that follow.

The Group expects to contribute € 62 million to these plans in Switzerland during the year ended 31 March 2019, compared to € 64 million during the year ended 31 March 2018.

UK

In the UK, the Group operates a defined benefit plan which closed to new entrants in 2004 and to future accrual in 2017. All employees are now offered membership of a defined contribution plan operated by the Group.

On 1 December 2016 the plan trustee entered into a full "buy-in" with a UK insurance company, which is held as an asset of the plan. Under the terms of the contract, the insurer will meet all benefits due to members of the plan. The premium for this insurance contract was largely met over 2016/17, by the plan's assets plus contributions totalling € 268 million (£ 225million) from the Group.

As a result of the buy-in, the risk to the Group of future contributions falling due has almost entirely been removed although the legal obligation to provide the benefits remains with the plan and the Group. The Group is however liable for additional contributions in respect of any data or benefit errors in the insurance, and the trustee is currently reviewing these items. The expected outcome of this review is an additional premium to the insurer of approximately € 4 million, and is expected to be paid in 2018/19. A valuation of the Plan was due at 31 March 2016, with the deficit shown at that date being met in full by the special contribution paid for the buy-in.

The weighted average duration of the expected benefit payments from the plan is approximately 21 years.

The Group expects to contribute € 2 million to the defined benefit plan during the year ended 31 March 2019, compared to € 0 million during the year ended 31 March 2018.

Rest of the world

The Group sponsors other retirement plans, a mixture of defined benefit and defined contribution, in some other countries where the Group operates.

The Group expects to contribute € 12 million to all such plans during the year ended 31 March 2019. This compares to € 14 million during the year ended 31 March 2018.

The net liabilities reflected in non-current liabilities in the statement of financial position in respect of employment benefit plans are determined as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Present value of funded obligations	**(1 333)**	(1 444)	**(358)**	(376)	**(173)**	(170)	**(1 864)**	(1 990)
Fair value of plan assets	**1 386**	1 419	**356**	374	**168**	160	**1 910**	1 953
Net funded obligations	**53**	(25)	**(2)**	(2)	**(5)**	(10)	**46**	(37)
Present value of unfunded obligations	**–**	–	**–**	–	**(60)**	(60)	**(60)**	(60)
Amount not recognised due to asset limit	**(53)**	–	**–**	–	**(1)**	(1)	**(54)**	(1)
Net liabilities	**–**	(25)	**(2)**	(2)	**(66)**	(71)	**(68)**	(98)

20. Employee benefits obligation continued

The amounts recognised in profit or loss in respect of such plans are as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Current service cost	**67**	82	**–**	3	**14**	14	**81**	99
Administration expenses	**1**	1	**–**	1	**–**	–	**1**	2
Net interest on net defined benefit liability/(asset)	**–**	1	**–**	(2)	**1**	1	**1**	–
Past service costs	**–**	(20)	**–**	(11)	**1**	–	**1**	(31)
Actuarial (losses)/gains on other employee benefits	**–**	–	**–**	–	**–**	(1)	**–**	(1)
	68	64	**–**	(9)	**16**	14	**84**	69

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Expense charged in:								
Cost of sales	**33**	36	**–**	(1)	**3**	3	**36**	38
Net operating expenses	**35**	28	**–**	(8)	**13**	11	**48**	31
	68	64	**–**	(9)	**16**	14	**84**	69

Total costs are included in employee benefits expense (note 26).

The amounts recognised immediately in Other comprehensive income in respect of such plans are as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Net actuarial (gains)/losses in the year:								
Changes in financial assumptions	**(10)**	(25)	**1**	80	**1**	1	**(8)**	56
Changes in demographic assumptions	**(1)**	(30)	**–**	–	**–**	–	**(1)**	(30)
Experience adjustments on benefit obligations	**14**	14	**–**	–	**(2)**	(1)	**12**	13
Actual return on plan assets less interest on plan assets	**(86)**	(97)	**–**	164	**(4)**	(7)	**(90)**	60
Adjustment to recognise the effect of asset limit	**55**	–	**–**	–	**–**	–	**55**	–
	(28)	(138)	**1**	244	**(5)**	(7)	**(32)**	99

Changes in the net liabilities recognised are as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Balance at 1 April of prior year	**(25)**	(166)	**(2)**	(44)	**(71)**	(80)	**(98)**	(290)
Exchange differences	**1**	–	**1**	3	**–**	(1)	**2**	2
Amounts recognised in profit or loss	**(68)**	(64)	**–**	9	**(16)**	(14)	**(84)**	(69)
Amounts recognised in Other comprehensive income	**28**	138	**(1)**	(244)	**5**	7	**32**	(99)
Contributions paid	**64**	67	**–**	274	**14**	15	**78**	356
Reclassified to liabilities of disposal group held for sale (note 34)	**–**	–	**–**	–	**2**	2	**2**	2
Balance at 31 March	**–**	(25)	**(2)**	(2)	**(66)**	(71)	**(68)**	(98)

20. Employee benefits obligation continued

The movement in the fair value of plan assets was as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Balance at 1 April of prior year	**1 419**	1 251	**374**	287	**160**	141	**1 953**	1 679
Exchange differences	**(130)**	27	**(9)**	(24)	**(4)**	3	**(143)**	6
Interest on plan assets	**9**	7	**9**	13	**3**	2	**21**	22
Actual return on plan assets less interest on plan assets	**86**	97	**–**	(164)	**4**	7	**90**	(60)
Assets distributed on settlements	**(9)**	–	**–**	–	**–**	–	**(9)**	–
Contributions paid by employer	**64**	67	**–**	274	**14**	15	**78**	356
Contributions paid by plan participants	**45**	45	**–**	1	**–**	–	**45**	46
Benefits paid	**(97)**	(74)	**(18)**	(12)	**(9)**	(8)	**(124)**	(94)
Administrative expenses	**(1)**	(1)	**–**	(1)	**–**	–	**(1)**	(2)
Balance at 31 March	**1 386**	1 419	**356**	374	**168**	160	**1 910**	1 953

The movement in the present value of the employee benefit obligation was as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Balance at 1 April of prior year	**(1 444)**	(1 417)	**(376)**	(331)	**(230)**	(220)	**(2 050)**	(1 968)
Exchange differences	**129**	(29)	**10**	27	**4**	(4)	**143**	(6)
Current service cost (employer part)	**(67)**	(82)	**–**	(3)	**(14)**	(14)	**(81)**	(99)
Contributions by plan participants	**(45)**	(45)	**–**	(1)	**–**	–	**(45)**	(46)
Interest on benefit obligations	**(9)**	(8)	**(9)**	(11)	**(4)**	(3)	**(22)**	(22)
Actuarial (losses)/gains	**(3)**	43	**(1)**	(80)	**1**	1	**(3)**	(36)
Past service cost	**–**	20	**–**	11	**(1)**	–	**(1)**	31
Liabilities extinguished on settlements	**9**	–	**–**	–	**–**	–	**9**	–
Reclassified to liabilities of disposal group held for sale (note 34)	**–**	–	**–**	–	**2**	2	**2**	2
Benefits paid	**97**	74	**18**	12	**9**	8	**124**	94
Balance at 31 March	**(1 333)**	(1 444)	**(358)**	(376)	**(233)**	(230)	**(1 924)**	(2 050)
Present value of funded obligations	**(1 333)**	(1 444)	**(358)**	(376)	**(173)**	(170)	**(1 864)**	(1 990)
Present value of unfunded obligations	**–**	–	**–**	–	**(60)**	(60)	**(60)**	(60)
Balance at 31 March	**(1 333)**	(1 444)	**(358)**	(376)	**(233)**	(230)	**(1 924)**	(2 050)

Changes in the amount not recognised due to the asset limit are as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Balance at 1 April of prior year	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)
Change in surplus/(deficit)	**(55)**	–	**–**	–	**–**	–	**(55)**	–
Exchange difference	**2**	–	**–**	–	**–**	–	**2**	–
Balance at 31 March	**(53)**	–	**–**	–	**(1)**	(1)	**(54)**	(1)

20. Employee benefits obligation continued

The major categories of plan assets at the reporting date are as follows:

	Switzerland		UK		Rest of the world		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Equities	**451**	479	**–**	–	**33**	40	**484**	519
Government bonds	**445**	406	**–**	–	**43**	41	**488**	447
Corporate bonds	**27**	60	**–**	–	**82**	70	**109**	130
Property	**297**	293	**–**	–	**1**	1	**298**	294
Cash	**34**	53	**2**	2	**2**	5	**38**	60
Insurance policies and other assets	**132**	128	**354**	372	**7**	3	**493**	503
Fair value of plan assets	**1 386**	1 419	**356**	374	**168**	160	**1 910**	1 953

The plan's assets are held primarily within instruments with quoted market prices in active markets with the exception of the property and insurance policy holdings.

The Swiss foundation owns a property valued at € 20 million (2017: € 20 million) which the Group currently leases from the foundation. Apart from this asset, the plans do not invest directly in property occupied by the Group or in financial securities issued by the Group.

The investment strategy in Switzerland is to invest, within statutory requirements, in a diversified portfolio that provides a long-term return which will enable the foundation Board to provide increases to the employee's accounts, whilst taking on the lowest possible risk in order to do so. In the UK, the investment strategy is set by the Trustee of the plan. The only asset held by the UK plan is the bulk annuity contract with a UK insurance company plus the Trustee bank account of €2m.

The principal actuarial assumptions used for accounting purposes reflect prevailing market conditions in each of the countries in which the Group operates, and are as follows:

	Switzerland		UK	
	2018	2017	2018	2017
Discount rate	**0.9 %**	0.7%	**2.5 %**	2.6%
Future salary increases	**1.0 %**	0.8%	**–**	–
Interest credit rate	**1.0 %**	0.8%	**–**	–
Future pension increases	**–**	–	**3.0 %**	3.1%
Future life expectancy of a 60-year-old (years)	**27.2**	27.1	**28.3**	28.2

Assumptions used to determine the benefit expense and the end-of-year benefit obligations for the other defined benefit plans varied within the ranges shown above. The weighted average rate for each assumption used to measure the benefit obligation is also shown. The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

As an indication, in Switzerland a decrease in the discount rate of 0.5% per annum would, all other things being equal increase the obligations by € 110 million (2017: € 120 million), a 0.5% per annum increase in assumed salary increases would increase the obligations by € 16 million (2017: € 20 million), a 0.5% decrease in the future rate for conversion of lump sum to pension would increase the obligations by approximately € 35 million (2017: € 30 million) and a one year increase in members' life expectancy would increase obligations by approximately € 30 million (2017: € 25 million). In practice, if the obligations increase then this is likely to also lead to a reduction in the assumption for future interest credit which would act to offset the increase in obligations. For example, a 0.5% per annum decrease in the interest credit rate leads to a € 50 million (2017: € 55 million) decrease in the obligations. The Group does not expect any economic benefit from the Swiss foundation and therefore, in practice any improvement in the obligations or assets will, in general, not impact the balance sheet, once the plan shows a surplus.

In the UK, due to the complete matching offered by the insurance policy, any change in assumptions, including a fall in discount rate, increased inflation or longevity, would have no impact upon the net balance sheet position.

For the remainder of the Group's arrangements, should the average discount rate fall by 0.5% per annum, the obligations are expected to rise by approximately € 10 million (2017: € 13 million) in total, with a € 10 million (2017: € 10 million) rise should pension increases and salary increases rise by a similar amount.

Except where a fully matching insurance policy has been purchased, these sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the plan assets held.

21. Provisions

	Warranties and sales-related €m	Employee benefits €m	Other €m	Total €m
At 1 April 2017	**137**	**108**	**61**	**306**
Charged/(credited) to profit or loss:				
– additional provisions	**272**	**52**	**15**	**339**
– unused amounts reversed	**(20)**	**(13)**	**(8)**	**(41)**
Net charge	**252**	**39**	**7**	**298**
Reclassified to assets held for sale	**–**	**(1)**	**(1)**	**(2)**
Utilised during the year	**(121)**	**(55)**	**(24)**	**(200)**
Exchange adjustments	**(11)**	**(4)**	**(2)**	**(17)**
At 31 March 2018	**257**	**87**	**41**	**385**

	2018 €m	2017 €m
Total provisions at 31 March:		
– non-current	**73**	91
– current	**312**	215
	385	306

Warranties and sales-related provisions

Group companies establish provisions for potential sales returns and warranties provided on certain products. Based on past experience a provision of € 257 million (2017: € 137 million) has been recognised for expected sales returns and warranty claims. It is expected that € 246 million (2017: € 123 million) of this provision will be used within the following twelve months and that the remaining € 11 million (2017: € 14 million), which relates solely to potential warranty claims, will be utilised over the remainder of the expected warranty period of the products.

Employee benefits provisions

These include obligations arising under the Group's long-term incentive plans and the social costs on the Group's share option plan. An amount of € 44 million (2017: € 58 million) is expected to be utilised in the coming twelve months. The remainder will be utilised in the next two to eight years.

Other provisions

Other provisions include provision for certain legal claims brought against the Group and provision for the Group's obligations arising from committed restructuring activities. Restructuring provisions include lease termination penalties and employee termination payments and are recognised when a detailed, formal plan has been established and communicated to those parties directly affected by the plan. Provisions for legal claims represent management's best estimate of the likely outcome of the claim at the balance sheet date. It is not expected that the outcomes of legal claims will give rise to any material losses beyond the amounts provided at 31 March 2018. The Group's restructuring provision is expected to be utilised in the coming year.

22. Other long-term financial liabilities

	2018 €m	2017 €m
Operating lease liabilities	**123**	120
Other long-term financial liabilities	**45**	12
	168	132

23. Trade and other payables

	2018 €m	2017 €m
Trade payables	**430**	408
Other payables	**650**	590
Accruals	**414**	374
Current financial liabilities	**1 494**	1 372
Other current non-financial liabilities	**140**	136
	1 634	1 508

Trade and other payables are valued based on expected cash flows which are not discounted as they are expected to occur within the next twelve months.

24. Other operating (expense)/income

	2018 €m	2017 €m
Royalty income	**34**	34
Royalty expenses	**(3)**	(3)
Investment property rental income	**1**	4
Investment property costs	**(5)**	(20)
Amortisation of other intangible assets acquired on business combinations	**(13)**	(16)
Gain on sale of investment property	**–**	178
Other expense	**(73)**	(34)
	(59)	143

25. Net profit from continuing operations

Net profit is stated after the following items of expense/(income):

	2018 €m	2017 €m
Depreciation of property, plant and equipment (note 6)	**454**	467
Impairment of property, plant and equipment (note 6)	**–**	2
Amortisation of other intangible assets (note 8)	**83**	94
Operating lease rentals:		
– minimum lease rental	**638**	680
– contingent rental	**353**	336
Sub-lease rental income (non-investment property)	**(6)**	(6)
Research and development costs	**85**	85
Loss on disposal of property, plant and equipment	**13**	11
Loss/(profit) on disposal of other intangible assets	**5**	(5)
Restructuring charges	**2**	18

26. Employee benefits expense

Accounting policies

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Incentive plans

The Group recognises a liability and an expense for incentive plans when contractually obliged or where there is a past practice that has created a constructive obligation.

	2018 €m	2017 €m
Wages and salaries including termination benefits € 27 million (2017: € 28 million)	**1 847**	1 847
Social security costs	**308**	310
Share option expense (note 30)	**23**	30
Long-term employee benefits	**28**	29
Pension costs – defined contribution plans	**45**	44
Pension costs – defined benefit plans (note 20)	**84**	69
	2 335	2 329

	2018 number	2017 number
Average number of employees:		
Switzerland	**8 214**	8 270
Rest of the world	**20 526**	20 310
	28 740	28 580

27. Finance costs and income

	2018 €m	2017 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(29)**	(33)
– corporate bond	**(1)**	–
– other financial expenses	**(35)**	(30)
Net foreign exchange losses on monetary items	**–**	(17)
Mark-to-market adjustment in respect of hedging activities	**(75)**	(125)
Net loss in fair value of financial instruments at fair value through profit or loss:		
– designated on initial recognition	**(113)**	–
– Held for Trading	**(33)**	(28)
Currency translation adjustments reclassified from reserves	**(49)**	–
Finance costs	**(335)**	(233)
Finance income:		
Interest income:		
– bank and other deposits	**29**	23
– money market and externally managed funds	**38**	44
– other financial income	**2**	6
Net foreign exchange gains on monetary items	**116**	–
Finance income	**185**	73
Net finance income/(costs)	**(150)**	(160)

28. Earnings per share

28.1. Basic

Basic earnings per A share/10 B shares is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of shares in issue during the year, excluding shares purchased by the Group and held in treasury. Holders of 'A' and 'B' shares enjoy the same dividend rights, but due to the differing par values of the two classes of shares, 'B' shareholders receive one tenth of the dividend per share paid to the 'A' shareholders.

	2018	2017
Total attributable to owners of the parent company (€ millions)	**1 221**	1 210
Weighted average number of shares in issue (millions)	**564.3**	564.0
Total basic earnings per A share/10 B shares	**2.164**	2.145

28.2. Diluted

Diluted earnings per A share/10 B shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has 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 annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 March 2018, a total of 3 296 191 options granted to employees are not dilutive and so are excluded from the calculation of diluted EPS (2017: 5 308 458 options).

	2018	2017
Total profit attributable to owners of the parent company (€ millions)	**1 221**	1 210
Weighted average number of shares in issue (millions)	**564.3**	564.0
Adjustment for share options (millions)	**1.5**	1.1
Weighted average number of shares for diluted earnings per share (millions)	**565.8**	565.1
Total diluted earnings per A share/10 B shares	**2.158**	2.141

28. Earnings per share continued

28.3. Headline earnings per A share/10 B shares

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

	2018 €m	2017 €m
Profit attributable to owners of the parent company	**1 221**	1 210
Loss on disposal of non-current assets	**18**	6
Impairment of non-current assets	**–**	2
Write-down of assets held for sale to its fair value less cost to disposal	**34**	–
Loss on disposal of subsidiary undertaking	**17**	–
Gain on disposal of investment property after tax and costs to sell	**–**	(139)
Currency exchange losses reclassified from currency translation adjustment reserve	**49**	–
Headline earnings	**1 339**	1 079

	2018 millions	2017 millions
Weighted average number of shares:		
– Basic	**564.3**	564.0
– Diluted	**565.8**	565.1
	€ per share	€ per share
Headline earnings per A share/10 B shares:		
– Basic	**2.373**	**1.913**
– Diluted	**2.367**	**1.909**

29. Dividends

Accounting policy

Dividend distributions to Richemont shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

In September 2017 a dividend of CHF 1.80 per 'A' share and CHF 0.18 per 'B' share was paid (September 2016: CHF 1.70 and CHF 0.17 respectively).

30. Share-based payment

Accounting policy

The Group operates an equity-settled share-based compensation plan based on options granted in respect of Richemont shares. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each reporting date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss over the remaining vesting period with a corresponding adjustment to equity.

Equity-settled option plan

The Group has a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. Awards under the stock option plan vest over periods of three to six years and have expiry dates, the date after which unexercised options lapse, of nine years from the date of grant. The executive must remain in the Group's employment until vesting. The options granted as from 2008 onwards include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

30. Share-based payment continued

A reconciliation of the movement in the number of share awards granted to executives is as follows:

	Weighted average exercise price in CHF per share	Number of options
Balance at 1 April 2016	58.80	9 422 175
Granted	56.55	1 984 600
Exercised	32.21	(2 149 398)
Cancelled	56.28	(37 500)
Expired	38.95	(4)
Lapsed	72.29	(79 966)
Balance at 31 March 2017	**64.46**	**9 139 907**
Granted	**80.20**	**2 080 515**
Exercised	**37.39**	**(1 436 299)**
Cancelled	**72.68**	**(55 000)**
Expired	**90.11**	**(3 500)**
Lapsed	**76.25**	**(369 031)**
Balance at 31 March 2018	**71.59**	**9 356 592**

Of the total options outstanding at 31 March 2018, options in respect of 2 312 200 shares (2017: 3 878 720 shares) had vested and were exercisable.

The weighted average share price at the date of exercise for options exercised during the year was CHF 84.19 (2017: CHF 70.26).

Taking into account the relative performance of the Group's share price compared to other luxury goods companies, the vesting of options was reduced by 10% to 20% for some senior executives.

The following information applies to options outstanding at the end of each year:

	Exercise price	Number of options	Weighted average remaining contractual life
31 March 2018	**CHF 23.55**	**398 835**	**0.2 years**
	CHF 54.95	**722 788**	**2.2 years**
	CHF 57.45	**1 100 128**	**3.2 years**
	CHF 90.11	**1 010 539**	**4.2 years**
	CHF 94.00	**1 167 126**	**5.2 years**
	CHF 83.80	**1 156 526**	**6.2 years**
	CHF 56.55	**1 877 500**	**7.2 years**
	CHF 80.20	**1 923 150**	**8.2 years**
31 March 2017	CHF 21.20	378 030	0.2 years
	CHF 23.55	901 121	1.2 years
	CHF 54.95	990 332	3.2 years
	CHF 57.45	1 351 966	4.2 years
	CHF 90.11	1 139 306	5.2 years
	CHF 94.00	1 206 526	6.2 years
	CHF 83.80	1 208 026	7.2 years
	CHF 56.55	1 964 600	8.2 years

The per unit fair value of options granted during the year determined using the Binomial model was CHF 17.98. The significant inputs to the model were the share price of CHF 79.35 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 27%, an expected option life of five years, a dividend yield of 2.1% and a 0% risk-free interest rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past five years.

The fair value of options awarded to members of the Senior Executive Committee ('SEC') is fixed on the date of approval of SEC remuneration by the shareholders of the parent company. The award date value in June 2016 of CHF 13.54 was revalued following the AGM in September 2017 at CHF 33.23. The estimated fair value of options awarded to members of the SEC in the year ended 31 March 2018 is based on the valuation at the award date of June 2017. Changes in the fair value of these options between the award date and 31 March 2018 are not significant to the Group. The final fair value will be fixed in September 2018 following approval by shareholders.

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 23 million (2017: € 30 million).

31. Cash flow generated from operations

	2018 €m	2017 €m
Operating profit	**1 844**	1 764
Depreciation of property, plant and equipment	**454**	467
Depreciation of investment property	**2**	–
Amortisation of other intangible assets	**83**	94
Impairment of property, plant and equipment	**–**	2
Loss on disposal of property, plant and equipment	**13**	11
Loss/(profit) on disposal of intangible assets	**5**	(5)
Profit on disposal of investment property	**–**	(195)
Increase in long-term provisions	**14**	44
Increase/(decrease) in retirement benefit obligations	**6**	(287)
Non-cash items	**68**	30
Decrease in inventories	**16**	123
Decrease in trade receivables	**3**	42
(Increase)/decrease in other receivables and prepayments	**(80)**	5
Increase/(decrease) in current liabilities	**318**	(90)
Increase in long-term liabilities	**17**	12
Decrease in derivative financial instruments	**(40)**	(121)
Cash flow generated from operations	**2 723**	1 896

The movement in retirement benefit obligations in the prior year includes the impact of an exceptional contribution to the UK defined benefit pension fund of € 268 million (see note 20).

32. Liabilities arising from financing activities

	Corporate bonds €m	Fixed and floating rate borrowings €m	Finance leases €m	Total €m
At 1 April 2017	**–**	**426**	**29**	**455**
Additions to finance leases	**–**	**–**	**1**	**1**
Exchange adjustments	**–**	**(53)**	**(2)**	**(55)**
Non-cash movements	**–**	**(53)**	**(1)**	**(54)**
Proceeds from borrowings	**3 939**	**53**	**–**	**3 992**
Corporate bond issue transaction costs	**(17)**	**–**	**–**	**(17)**
Repayment of borrowings	**–**	**(82)**	**–**	**(82)**
Capital element of finance lease payments	**–**	**–**	**(2)**	**(2)**
Net cash (paid)/received	**3 922**	**(29)**	**(2)**	**3 891**
At 31 March 2018	**3 922**	**344**	**26**	**4 292**
Total liabilities arising from financing activities at 31 March:				
– current	**–**	**3**	**1**	**4**
– non-current	**3 922**	**341**	**25**	**4 288**
At 31 March 2018	**3 922**	**344**	**26**	**4 292**

33. Financial instruments: fair values and risk management

Accounting policy

The Group classifies its investments in the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets held at fair value through profit or loss

This category has two sub-categories: financial assets Held for Trading; and those designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. At 31 March 2018, the Group has designated investments in money market funds, listed investments and unlisted investments at fair value through profit and loss, as the performance of these investments is evaluated by management on a fair value basis. Derivatives are categorised as Held for Trading. Assets are classified as current if they are either Held for Trading or are expected to be realised within the next twelve months.

Purchases and sales of these financial assets are recognised on the transaction date. They are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in profit or loss in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets held with no intention of trading and which have fixed or determinable payments that are not quoted in an active market. They are included in trade and other receivables within current assets, except for those with maturities greater than twelve months which are classified as other non-current assets.

33.1. Fair value estimation

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy defined by IFRS.

	Carrying amount					Fair value			
31 March 2018	Designated at fair value €m	Held for Trading €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments (note 12)	**431**	–	–	–	**431**	**431**			**431**
Unlisted investments (note 12)	**16**	–	–	–	**16**			**16**	**16**
Investments in externally managed funds (note 12)	–	**3 424**	–	–	**3 424**	**3 424**			**3 424**
Investments in money market funds (note 12)	**1 633**	–	–	–	**1 633**		**1 633**		**1 633**
Derivatives	–	**18**	–	–	**18**		**18**		**18**
	2 080	**3 442**	–	–	**5 522**				
Financial assets not measured at fair value									
Non-current loans and receivables (note 13)	–	–	**7**	–	**7**				
Non-current lease deposits (note 13)	–	–	**125**	–	**125**				
Trade and other receivables	–	–	**995**	–	**995**				
Cash at bank and on hand	–	–	**8 401**	–	**8 401**				
	–	–	**9 528**	–	**9 528**				
Financial liabilities measured at fair value									
Derivatives	–	**(90)**	–	–	**(90)**		**(90)**		**(90)**
Financial liabilities not measured at fair value									
Fixed rate borrowings (note 19)	–	–	–	**(4 263)**	**(4 263)**		**(4 324)**		**(4 324)**
Floating rate borrowings (note 19)	–	–	–	**(3)**	**(3)**				
Finance lease obligations (note 19)	–	–	–	**(26)**	**(26)**				
Other long-term financial liabilities	–	–	–	**(168)**	**(168)**				
Trade and other payables (note 23)	–	–	–	**(1 494)**	**(1 494)**				
Bank overdrafts	–	–	–	**(3 897)**	**(3 897)**				
	–	–	–	**(9 851)**	**(9 851)**				

33. Financial instruments: fair values and risk management continued

33.1. Fair value estimation continued

31 March 2017	Carrying amount Designated at fair value €m	Held for Trading €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Fair value Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Unlisted investments (note 12)	7	–	–	–	7			7	7
Investments in externally managed funds (note 12)	–	2 847	–	–	2 847	2 847			2 847
Investments in money market funds (note 12)	634	–	–	–	634		634		634
Derivatives	–	20	–	–	20		20		20
	641	2 867	–	–	3 508				
Financial assets not measured at fair value									
Non-current loans and receivables (note 13)	–	–	9	–	9				
Non-current lease deposits (note 13)	–	–	143	–	143				
Trade and other receivables	–	–	996	–	996				
Cash at bank and on hand	–	–	4 450	–	4 450				
	–	–	5 598	–	5 598				
Financial liabilities measured at fair value									
Derivatives	–	(67)	–	–	(67)		(67)		(67)
Financial liabilities not measured at fair value									
Fixed rate borrowings (note 19)	–	–	–	(374)	(374)		(368)		(368)
Floating rate borrowings (note 19)	–	–	–	(52)	(52)				
Finance lease obligations (note 19)	–	–	–	(29)	(29)				
Other long-term financial liabilities	–	–	–	(132)	(132)				
Trade and other payables (note 23)	–	–	–	(1 372)	(1 372)				
Bank overdrafts	–	–	–	(1 685)	(1 685)				
	–	–	–	(3 644)	(3 644)				

For those financial assets and financial liabilities not measured at fair value, the carrying value approximates the fair value.

Valuation techniques

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, maximising the use of observable market data where available, and relying as little as possible on entity-specific estimates. If all significant inputs are observable the instrument is included as Level 2; if one or more of the significant inputs is not based on observable market data then the instrument is included as Level 3.

Specific valuation techniques used for Level 2 financial instruments include:

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

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

Level 3 financial instruments consist entirely of small investments in unlisted equities. During the year to 31 March 2018 the carrying amount increased to € 16 million due to the acquisition of a new unlisted investment.

33.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk); credit risk; and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department ('Group Treasury') under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board has approved formal written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investing excess liquidity.

(a)(i) Market risk: foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar, HK dollar, British pound, Chinese yuan, Japanese yen, UAE dirham and Singapore dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. This arises principally from the retranslation impact of euro and USD-denominated investments in money market and managed bond funds held in an entity with a Swiss franc functional currency. Changes in foreign exchange rates also impact the repricing of derivative contracts.

The Group's financial risk management policy is to hedge up to 70% of forecast net cash flow exposure arising in currencies including US dollars, HK dollars, British pounds, Chinese yuan, Japanese yen, UAE dirham and Singapore dollar for the subsequent twelve months. Group Treasury undertakes the management of the net position in each foreign currency by using external currency derivatives.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from these net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis presented in the following tables shows the pre-tax increase/(decrease) in profit or loss that would result from the noted percentage change in listed exchange rates, all other factors remaining constant. There is no impact in other comprehensive income. The analysis is performed on the same basis as for 2017.

	Change in rate		Profit or loss	
	2018 %	2017 %	2018 €m	2017 €m
USD strengthening vs CHF	**8%**	8%	**107**	109
JPY strengthening vs CHF	**8%**	9%	**(29)**	(26)
HKD strengthening vs CHF	**8%**	8%	**(53)**	(49)
SGD strengthening vs CHF	**6%**	7%	**(33)**	(11)
CHF strengthening vs EUR	**6%**	6%	**(95)**	(147)
AED strengthening vs CHF	**8%**	8%	**(25)**	(33)
CNY strengthening vs CHF	**9%**	7%	**(44)**	(26)

	Change in rate		Profit or loss	
	2018 %	2017 %	2018 €m	2017 €m
USD weakening vs CHF	**8%**	8%	**(108)**	(113)
JPY weakening vs CHF	**8%**	9%	**24**	20
HKD weakening vs CHF	**8%**	8%	**42**	40
SGD weakening vs CHF	**6%**	7%	**28**	9
CHF weakening vs EUR	**6%**	6%	**95**	147
AED weakening vs CHF	**8%**	8%	**19**	27
CNY weakening vs CHF	**9%**	7%	**36**	21

(a)(ii) Market risk: price risk

The Group is exposed to commodity price risk, marketable securities' price risk and other price risk.

- Commodity price risk

The Group is exposed to price risk related to anticipated purchases of certain commodities, namely precious metals and stones for use in its manufacturing processes. There is no financial risk as the commodities are for use as raw materials by the Group's businesses. A change in those prices may alter the gross margin of specific businesses.

- Marketable securities' price risk

The Group is exposed to marketable securities' price risk in respect of investments in euro- and USD-denominated money market and externally managed funds with a minimum credit rating of AA. These are classified in the consolidated statement of financial position as financial assets and liabilities held at fair value through profit or loss.

The price risk associated with the investments in AAA rated money market and government bond funds held by the Group at 31 March 2018 and 2017 is considered to be minimal, due to the high credit quality of the underlying investments.

33. Financial instruments: fair values and risk management continued

33.2. Fair value factors continued

(a)(iii) Market risk: interest rate risk

- Fair value interest rate risk

The Group is exposed to fair value interest rate risk linked to its fixed-rate loan commitment (details of the Group's borrowings are presented in note 19). The risk is considered to be the difference between current levels of interest rates and the committed rates.

The Group records its fixed rate borrowings at amortised cost using the effective interest method. The Group does not designate any interest rate swaps as hedging instruments for fair value hedge accounting. Therefore a change in interest rates at 31 March 2018 would not affect the profit for the year.

The Group uses forward-starting interest rate swaps to help manage its fair value interest rate risk exposure.

At 31 March 2018, the Group is a party to a forward-starting USD-denominated interest rate swap contract. The Group pays a fixed interest rate and in exchange receives the three-month USD-LIBOR-BBA floating rate on pre-specified dates in the future. The fair value of this financial instrument increased by € 5 million in the year to 31 March 2018 (2017: € 10 million increase). Should the floating rate increase/(decrease) by 6% using one-year historic volatility of three-month USD LIBOR rate, with all other variables held constant, the impact on profit before tax would have been plus/(minus) € 2 million (2017: rate increase/(decrease) by 11%: impact of profit before tax plus/(minus) € 5 million).

The Group is also exposed to the impact of changes in interest rates on its investments in externally managed funds, which are made up of listed bonds. Should interest rates increase/(decrease) by 100 basis points, with all other variables held constant, the impact on profit before tax would have been (minus)/plus € 33 million (2017: € 35 million).

- Cash flow interest rate risk

The Group is also exposed to future cash flow fluctuation risk due to changes in variable market interest rates. The cash flow risk associated with net cash is such that an increase/(decrease) of 100 basis points in interest rates at the reporting date would have impacted profit for the year by plus/(minus) € 68 million (2017: plus/(minus) € 37 million), all other variables remaining constant. The analysis is performed on the same basis as for 2017.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has established credit check policies that ensure the high credit worthiness of its customers. A short-term credit rating of minimum A1/P1 is applied to cash deposits with financial counterparties. A minimum money market fund rating of AAA is applied to euro-denominated money market funds. A weighted average rating of AA is applied to euro and USD-denominated externally managed funds.

At 31 March 2018, the Group had € 5 057 million invested in euro- and USD-denominated money market and externally managed funds (2017: € 3 481 million) and € 8 401 million held as cash at bank (2017: € 4 450 million).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Local liquidity is ensured by maintaining local bank credit facilities and by funding the excess funding requirements using the Group overlay cash pool.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. Derivative assets are excluded.

33. Financial instruments: fair values and risk management continued

33.2. Financial risk factors continued

31 March 2018	Carrying amount €m	Total €m	Contractual cash flows 6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	**4 292**	**5 306**	**38**	**35**	**452**	**4 781**
Other long-term financial liabilities	**168**	**168**	**–**	**–**	**52**	**116**
Trade and other payables	**1 494**	**1 494**	**1 494**	**–**	**–**	**–**
Bank overdrafts	**3 897**	**3 897**	**3 897**	**–**	**–**	**–**
	9 851	**10 865**	**5 429**	**35**	**504**	**4 897**
Derivative financial liabilities						
Currency forwards	**74**	**2 220**	**996**	**1 224**	**–**	**–**
Cross-currency swap	**11**	**162**	**–**	**162**	**–**	**–**
Forward-starting interest rate swap	**5**	**5**	**–**	**–**	**5**	**–**
	90	**2 387**	**996**	**1 386**	**5**	**–**

31 March 2017	Carrying amount €m	Total €m	Contractual cash flows 6 months or less €m	Between 6-12 months €m	Between 1-3 years €m	More than 3 years €m
Non-derivative financial liabilities						
Borrowings	455	567	59	7	397	104
Other long-term financial liabilities	132	133	–	–	48	85
Trade and other payables	1 372	1 372	1 372	–	–	–
Bank overdrafts	1 685	1 685	1 685	–	–	–
	3 644	3 757	3 116	7	445	189
Derivative financial liabilities						
Currency forwards	57	2 176	1 144	1 032	–	–
Forward-starting interest rate swap	10	10	–	–	10	–
	67	2 186	1 144	1 032	10	–

33.3. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

During the year to 31 March 2018, the Group was party to a EUR-denominated interest rate swap contract which was used to hedge the Group's corporate bond issue. Cash flow hedge accounting has been applied to the transaction, and as a result the loss realised on this interest rate swap has been deferred in equity. This loss will be recycled to the income statement over the life of the related bond.

The Group does not apply hedge accounting to any of its other hedging activities.

The fair values of various derivative instruments are disclosed in note 16.

33. Financial instruments: fair values and risk management continued

33.4. Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, as a current legally enforceable right to set-off the recognised amounts exists and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2018					
Trade receivables	**98**	**(23)**	**75**	**–**	**75**
Cash at bank and on hand	**8 401**	**–**	**8 401**	**(3 796)**	**4 605**
Derivative assets	**18**	**–**	**18**	**(16)**	**2**
	8 517	**(23)**	**8 494**	**(3 812)**	**4 682**
Trade payables	**(111)**	**23**	**(88)**	**–**	**(88)**
Bank overdrafts	**(3 897)**	**–**	**(3 897)**	**3 796**	**(101)**
Derivative liabilities	**(90)**	**–**	**(90)**	**16**	**(74)**
	(4 098)	**23**	**(4 075)**	**3 812**	**(263)**

	Gross amount of recognised asset/ (liability) subject to set-off €m	Gross amount of set-off €m	Net amount presented €m	Related amounts not set-off €m	Total €m
At 31 March 2017					
Trade receivables	13	(4)	9	–	9
Cash at bank and on hand	1 788	–	1 788	(1 523)	265
Derivative assets	20	–	20	(13)	7
	1 821	(4)	1 817	(1 536)	281
Trade payables	(18)	4	(14)	–	(14)
Bank overdrafts	(1 523)	–	(1 523)	1 523	–
Derivative liabilities	(67)	–	(67)	13	(54)
	(1 608)	4	(1 604)	1 536	(68)

The Group is subject to a number of master netting arrangements specific to cash pooling and derivative contract arrangements. These arrangements allow for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In certain circumstances, such as a default event as defined in the relevant agreement, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. These agreements do not meet the criteria for offsetting in the statement of financial position. The right to set-off is legally enforceable only following certain specified events. In addition, the Group and the counterparties do not intend to settle on a net basis.

33.5. Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return of capital to shareholders, which the Group defines as total equity excluding non-controlling interests, and the level of dividends to shareholders.

The Board seeks to maintain a balance between business returns and a secure capital position. The Group's target is to achieve a return on shareholders' equity, excluding share buy-backs, in excess of 15% (2017: 15%).

There were no changes in the Group's approach during the year.

The Group is not subject to any externally imposed capital requirements.

Notes to the consolidated financial statements continued

34. Financial commitments and contingent liabilities

At 31 March 2018, 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. Details of the Group's commitments in respect of financial derivatives are given in note 16 and in respect of property, plant and equipment in note 6.

The Group leases various boutiques, offices and manufacturing premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Payments made under operating leases (net of any incentives received) are charged to profit or loss using the straight-line method over the lease term. The cost for certain boutique leases contains a fixed portion together with a variable portion which is most commonly a percentage of sales achieved. The commitments below reflect only the fixed elements.

The Group has signed non-cancellable operating leases in respect of which the following minimum rentals are payable at 31 March:

	Land and buildings		Other assets		Total	
	2018 €m	2017 €m	2018 €m	2017 €m	2018 €m	2017 €m
Within one year	**599**	635	**6**	7	**605**	642
Between two and five years	**1 620**	1 359	**7**	8	**1 627**	1 367
Thereafter	**1 147**	1 116	**1**	1	**1 148**	1 117
	3 366	3 110	**14**	16	**3 380**	3 126

35. Business combinations

Accounting policy

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred at the date of exchange, plus the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss for the period.

On acquisition, non-controlling interests are measured as a percentage of the net assets of the acquiree.

Any contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed in the period in which they are incurred.

During the year to 31 March 2018, the Group concluded a number of acquisitions for total consideration of € 135 million.

Distribution entities

During the period the Group acquired the operations of external boutiques and agents in strategic markets, mostly in Asia and the Middle East. The impact of these acquisitions on the financial position and performance of the Group is not significant, and as such these acquisitions are presented in aggregate below.

Other business operations

The Group undertook several additional business combinations during the year with the objective of strengthening its brand portfolio. This includes the following acquisitions:

- 100% of the share capital of Stefano Serapian Srl, a leather goods retailer and creator based in Milan, Italy, acquired in July 2017;
- 100% of the share capital of Joia sàrl, a jewellery atelier based in Lyon, France, acquired in June 2017; and
- The operating assets and intellectual property of G/FORE, a golf accessories and clothing brand based in California, United States, acquired in January 2018.

The impact of these acquisitions on the financial position and performance of the Group is not significant, and as such these acquisitions are presented in aggregate below.

35. Business combinations continued

	Distribution entities €m	Other business operations €m	Total €m
Property, plant and equipment	**3**	**1**	**4**
Intangible assets	**32**	**31**	**63**
Other non-current assets	–	**1**	**1**
Inventory	**42**	**4**	**46**
Cash and cash equivalents	–	**1**	**1**
Trade and other receivables	–	**4**	**4**
Trade and other payables	–	**(4)**	**(4)**
Current and deferred tax	–	**1**	**1**
Non-current liabilities	–	**(7)**	**(7)**
Net assets acquired	**77**	**32**	**109**
Fair value of net assets acquired	**77**	**32**	**109**
Goodwill	–	**26**	**26**
Total consideration paid	**77**	**58**	**135**
Consideration paid in advance	–	**6**	**6**
Consideration deferred to future periods	–	**(29)**	**(29)**
Purchase consideration – cash paid	**77**	**35**	**112**
Cash and cash equivalents acquired	–	**(1)**	**(1)**
Payment of amounts deferred in prior periods	**2**	–	**2**
Cash outflow on acquisitions	**79**	**34**	**113**

The fair value of these assets is provisional pending finalisation of valuation work. Goodwill represents certain intangible assets that do not qualify for separate recognition, such as an integrated workforce and technical know-how. Goodwill of € 10 million is expected to be deductible for tax purposes.

Contingent consideration is due based on the future results of an acquired business following the completion of the transaction, payable 2, 5 and 10 years after the closing date. There is no maximum absolute threshold on the amount that may become payable but there is a mechanism capping the calculation of the maximum contingent consideration to a fixed percentage of profitability. The fair value of the contingent consideration was estimated by calculating the present value of future expected cash flows, based on latest forecasts and budgets. The estimates are based on a discount rate which reflects the risk profile of the investment and probability-adjusted sales and operating profit figures. As this valuation is based on unobservable inputs, it is classified as a Level 3 in the fair value hierarchy.

Acquisition-related transaction costs of € 17 million were expensed in the year to 31 March 2018 as other expenses (2017: nil). Of this total, € 16 million relates to an acquisition expected to be completed in the year ended 31 March 2019.

In the period since acquisition, the businesses contributed € 3 million to sales and a loss of € 2 million to net profit. Had the acquisitions been made on 1 April 2017, the full year contribution to sales would have been € 8 million and a loss of € 5 million to net profit.

No business combinations were concluded in the prior year.

36. Assets held for sale

Disposal of Lancel

The Group is currently negotiating the sale of the Maison Lancel, a transaction which is expected to be concluded in the first half of the coming financial year. The assets and liabilities covered by the proposed transaction, which were included within Other in the segmental analysis (note 5), were classified as Held for Sale at 31 March 2018. The net assets of the disposal group were impaired to net realisable value, resulting in an impairment charge of € 31 million, recorded within Other income/expenses.

Disposal of Manufacture Cartier Lunettes

In March 2017, the Group announced that it had entered into a binding, conditional agreement to acquire 30% of the share capital of Kering Eyewear S.p.A. As part of this transaction, the Group contributed its controlling interest in its subsidiary, Manufacture Cartier Lunettes, to Kering Eyewear.

The transaction concluded in May 2017. The assets and liabilities of Manufacture Cartier Lunettes, which were included within the Jewellery Maisons' segment (note 5), were classified as Held for Sale at 31 March 2017.

	2018 €m	2017 €m
Property, plant and equipment	**–**	8
Deferred tax assets	**–**	1
Inventories	**9**	8
Trade and other receivables	**6**	2
Prepayments	**4**	–
Assets of disposal group held for sale	**19**	19
Provisions	**(2)**	–
Post-retirement benefit obligations	**(2)**	(2)
Other long-term financial liabilities	**(2)**	–
Trade and other payables	**(10)**	(4)
Accruals and deferred income	**(3)**	(1)
Liabilities of disposal group held for sale	**(19)**	(7)
Net assets of disposal group held for sale	**–**	12

Other

A property with net book value of € 2 million was also presented as Held for Sale at 31 March 2017.

During the year ended 31 March 2018, a property with net book value of € 11 million was also reclassified as Held for Sale and subsequently sold prior to 31 March 2018.

37. Related-party transactions

The Group has a number of transactions and relationships with related parties, as defined by IAS 24, *Related Party Disclosures*.

Compagnie Financière Rupert, Bellevue, Switzerland, Geneva holds 522 000 000 'B' registered shares representing an interest in 50% of the Company's voting rights. It does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2018, representing 0.3% of the Company's voting rights.

Besides Compagnie Financière Rupert, the Board of Directors and the Senior Executive Committee ('key management'), the Group has identified the following other related parties:

- Richemont's equity-accounted investments (see note 10);
- Richemont foundations (employee and others); and
- various entities under the common control of the Rupert family's interests.

37. Related-party transactions continued

The following transactions were carried out with related parties giving rise to (expense/payables) and income/receivables:

(a) Transactions and balances between the Richemont Group and its equity-accounted investments

	2018 €m	2017 €m
Goods and services bought from and other transactions with its equity-accounted investments:		
Rouages SA – purchase of watch components	**(6)**	(5)
Les Cadraniers de Genève SA – purchase of watch components	**–**	(4)
Ralph Lauren Watch & Jewelry Company Sàrl – purchase of finished goods	**(3)**	(1)
Ralph Lauren Watch & Jewelry Company Sàrl – waiver of interest and loan	**(54)**	(3)
Schwab-Feller AG – purchase of watch components	**(1)**	(1)
Dalloz Pre-Setting SAS – purchase of finished goods	**(19)**	(15)
YOOX NET-A-PORTER S.p.A. – purchase of services	**(3)**	–
Kering Eyewear S.p.A. – purchase of finished goods	**(22)**	–
New Bond Street JV	**(1)**	–
Services provided to equity-accounted investments:		
Laureus Sports Awards Limited – sponsorship	**(1)**	(6)
Laureus Sports for Good Foundation – donations	**(4)**	(2)
Goods and services sold to and other transactions with equity-accounted investments:		
YOOX NET-A-PORTER S.p.A. – sale of finished goods	**33**	37
Montblanc India Retail Private Limited – sale of finished goods	**3**	3
Kering Eyewear S.p.A. – sale of finished goods	**28**	–
New Bond Street JV	**1**	–
Ralph Lauren Watch & Jewelry Company Sàrl – sale of watch components	**–**	1
Ralph Lauren Watch & Jewelry Company Sàrl – interest	**–**	–
Ralph Lauren Watch & Jewelry Company Sàrl – management and service fees	**3**	6
Payables outstanding at 31 March:		
Dalloz Pre-Setting SAS – purchase of finished goods	**(2)**	(1)
Ralph Lauren Watch & Jewelry Company Sàrl – purchase of finished goods	**–**	(1)
Laureus World Sports Awards Limited – sponsorship	**(3)**	(1)
Receivables outstanding at 31 March:		
YOOX NET-A-PORTER S.p.A. – sale of finished goods	**7**	5
Ralph Lauren Watch & Jewelry Company Sàrl – trading	**3**	8
Laureus Sports Awards Limited – sponsorship	**5**	4
Dalloz Pre-Setting SAS – loan	**2**	2
Fook Ming Watch Limited – loan	**–**	6
Kering Eyewear S.p.A. – trading	**6**	–
Montblanc India Retail Private Limited – trading	**1**	–
Ralph Lauren Watch & Jewelry Company Sàrl – loan	**–**	54

In the prior year the loan to Ralph Lauren Watch & Jewelry Company Sàrl was recorded at € 0 million in the balance sheet. For equity-accounting purposes the long-term loan was considered part of the investment. The Group's share of losses of Ralph Lauren Watch & Jewelry Company Sàrl were offset against the receivable. This loan was waived during the year ended 31 March 2018 with no impact on Group profit or loss as a result.

Notes to the consolidated financial statements continued

37. Related-party transactions continued

(b) Transactions and balances between the Richemont Group and entities under common control

	2018 €m	2017 €m
Services bought from and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**(6)**	(6)
Services provided to and other transactions with entities under common control:		
Entities under common control of the Rupert family's interests	**–**	1

	2018 €m	2017 €m
Receivables outstanding at 31 March:		
Entities under common control of the Rupert family's interests	**–**	–
Payables outstanding at 31 March:		
Entities under common control of the Rupert family's interests	**(1)**	(1)

In the year to 31 March 2018, an entity controlled by the Rupert family's interests became a minority shareholder of a Group company, resulting in the recognition of a non-controlling interest on the balance sheet of € 5 million.

(c) Individuals

During the year, the Group gave donations of € 0.2 million (2017: € 0.2 million) to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni, a non-executive director of the Company, is vice-chairman of the Fondazione.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm, Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling € 0.5 million (2017: € 0.8 million) from Group companies for advice on legal and taxation matters.

In a recent group transaction, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of € 0.5 million (2017: nil).

In addition to his non-executive director's fee, the Duke of Wellington received fees and other benefits totalling less than € 0.1 million (2017: less than € 0.1 million) in connection with his role as Director and Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests. This amount relates to the period from 1 April to 13 September 2017, the date on which he stepped down as a Director.

Mr Saage, Dr Nevistic and Mr Arora provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2018, Mr Saage received € 0.2 million, Dr Nevistic received € 0.1 million and Mr Arora received € 0.4 million (2017: none) for the services provided. Mr Norbert Platt also received a consultancy fee of less than € 0.1 million (2017: € 0.1 million) for the period from 1 April to 13 September 2017, the date on which he stepped down as a Director. These fees are included in the individual disclosures of key management compensation as short-term employee benefits.

(d) Key management compensation

	2018 €m	2017 €m
Salaries and short-term employee benefits	**13**	14
Short-term incentives	**9**	4
Long-term benefits	**3**	2
Post-employment benefits	**2**	2
Share option expense	**5**	10
Employer social security	**2**	1
	34	33

37. Related-party transactions continued

(d) Key management compensation continued

Key management comprises the Board of Directors of Compagnie Financière Richemont SA and the Senior Executive Committee, as detailed below.

The Ordinance against Excessive Compensation requires that the Board identify the corporate body to which management has been delegated by the Board of Directors for the day-to-day management of the organisation. This is deemed to be the Senior Executive Committee, which is chaired by the Chairman of the Board, the members of which are listed below. Members of this Committee are considered to be subject to the various disclosure and approval requirements imposed by the regulations.

Board of Directors	
Johann Rupert	Chairman
Yves-André Istel[1]	Non-Executive Deputy Chairman
Josua Malherbe	Non-Executive Deputy Chairman
Nicolas Bos[2]	Chief Executive Officer Van Cleef & Arpels
Burkhart Grund[2]	Chief Finance Officer
Jérôme Lambert[2]	Chief Operating Officer
Cyrille Vigneron	Chief Executive Officer Cartier
Nikesh Arora[2]	Non-Executive Director
Clay Brendish[2]	Independent Lead Director
Jean-Blaise Eckert	Non-Executive Director
Bernard Fornas[1]	Non-Executive Director
Keyu Jin[2]	Non-Executive Director
Richard Lepeu[1]	Non-Executive Director
Ruggero Magnoni	Non-Executive Director
Jeff Moss	Non-Executive Director
Simon Murray[1]	Non-Executive Director
Vesna Nevistic[2]	Non-Executive Director
Guillaume Pictet	Non-Executive Director
Norbert Platt[1]	Non-Executive Director
Alan Quasha	Non-Executive Director
Maria Ramos	Non-Executive Director
Lord Renwick of Clifton[1]	Independent Lead Director
Anton Rupert[2]	Non-Executive Director
Jan Rupert	Non-Executive Director
Gary Saage	Non-Executive Director
Jürgen Schrempp[1]	Non-Executive Director
Duke of Wellington[1]	Non-Executive Director
Members of the Senior Executive Committee	
Nicolas Bos[4]	Chief Executive Officer Van Cleef & Arpels
Sophie Guieysse[6]	Group Human Resources Director
Burkhart Grund[4]	Chief Finance Officer
Georges Kern[5]	Head of Specialist Watchmakers, Digital and Marketing
Jérôme Lambert[4]	Chief Operating Officer
Jean-Jacques van Oosten[7]	Chief Technology Officer
Emmanuel Perrin[8]	Head of Specialist Watchmakers Distribution
Gary Saage[3]	Chief Financial Officer
Frank Vivier[4]	Chief Transformation Officer
Cyrille Vigneron	Chief Executive Officer Cartier

1. Until 13 September 2017.
2. From 13 September 2017.
3. From 1 April 2017 to 31 August 2017.
4. From 1 April 2017.
5. From 1 April 2017 to 31 July 2017.
6. From 1 October 2017.
7. From 1 January 2018.
8. From 8 November 2017.

37. Related-party transactions continued

(d) Key management compensation continued

Share option plan

The Group operates a long-term share-based compensation plan whereby executives are awarded options to acquire shares at the market price on the date of grant. No awards under the share option plan have been made to persons serving as non-executive directors. Details of options held under the plan are as follows:

	Number of options							
	1 April 2017	Granted in year	Exercised in year	Cancelled in year	31 March 2018	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors								
Nicolas Bos	15 375	125 000	–	–	**140 375**	74.00	Jul 2020-Jul 2022	June 2026
Burkhart Grund	60 000	90 000	–	–	**150 000**	71.00	Jul 2020-Jul 2022	June 2026
Jérôme Lambert	–	125 000	–	–	**125 000**	80.00	Jul 2020-Jul 2022	June 2026
Cyrille Vigneron	–	150 000	–	–	**150 000**	80.00	Jul 2020-Jul 2022	June 2026
Gary Saage	888 667	–	13 667	20 000	**855 000**	74.00	Apr 2018-Jul 2021	June 2025
Jan Rupert	98 126	–	98 126	–	**–**	–	–	–
Senior Executive Committee								
Senior Executives	72 667	70 000	19 334	–	**123 333**	77.00	Apr 2018-Jul 2022	June 2026
	1 134 835	560 000	131 127	20 000	**1 543 708**			

Taking account of the relative performance of the Group compared to its peers and in accordance with the stock option plan rules, the vesting of options during the year was reduced by 10-20% for members of the Senior Executive Committee at 31 March 2017.

The options held by Mr Jan Rupert and Mr Gary Saage, non-executive directors, were awarded in their previous roles as executive directors of the Company.

Share ownership

As at 31 March 2018, members of the Board and parties closely linked to them owned a total of 37 138 Richemont 'A' shares. Mr Johann Rupert is the General Managing Partner of Compagnie Financière Rupert, which holds the 522 000 000 'B' registered shares in the Company. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2018. The interest of individual directors and members of the Senior Executive Committee in Richemont 'A' shares is as follows:

	at 31 March 2018	at 31 March 2017 restated
Board of Directors		
Clay Brendish	**1 135**	–
Jean-Blaise Eckert	**75**	1 150
Jérôme Lambert	**1 148**	–
Ruggero Magnoni	**2 000**	2 000
Jeff Moss	**2 400**	–
Guillaume Pictet	**5 380**	5 380
Alan Quasha	**1 000**	1 000
Maria Ramos	**500**	500
Jan Rupert	**3 000**	3 000
Gary Saage	**8 000**	8 000
Cyrille Vigneron	**12 500**	12 500
	37 138	33 530

The above table has been restated to correct the shareholding disclosed for one director in the prior year.

(d) Key management compensation continued

Following the decision of the Annual General Meeting on 13 September 2017 to pay dividends of CHF 1.80 per ‘A’ registered share and CHF 0.18 per ‘B’ registered share, dividends of CHF 99 132 736 were paid to the owners of the shares who were members of the Board or the Senior Executive Committee, or parties closely linked to them, at the date the dividend was paid.

Mr Josua Malherbe, a non-executive director, does not hold any ‘A’ shares or ‘A’ share equivalents. Members of Mr Malherbe’s family have acquired and currently hold 14 067 ‘A’ share equivalents and are beneficiaries of trusts holding 210 002 ‘A’ shares or ‘A’ share equivalents at 31 March 2018.

Mr Jan Rupert, a non-executive director, is a director of a company which holds 2 375 005 ‘A’ shares. He is also one of a group of family members who are beneficiaries of certain trusts which are, directly or indirectly, shareholders in that company and which hold ‘A’ shares and ‘A’ share equivalents in their own right. Mr Jan Rupert is a trustee of certain of these trusts but is not in a position to control their investment decisions or to control the exercise of voting rights by those trusts. In addition, members of Mr Rupert’s family are also beneficiaries of certain companies and trusts that have acquired and currently hold 433 566 ‘A’ shares.

Loans to members of governing bodies

As at 31 March 2018, there were no loans or other credits outstanding to any current or former executive or non-executive director, or member of the Senior Executive Committee. The Group policy is not to extend loans to directors or members of the Senior Executive Committee. There were also no non-business related loans or credits granted to relatives of any executive or non-executive director, or member of the Senior Executive Committee.

38. Ultimate parent company

The directors regard Compagnie Financière Rupert, Bellevue, Geneva, Switzerland to be the Group’s controlling party, as 50% of the voting rights of the Company are held by that entity.

39. Events after the reporting period

Dividend

A dividend of CHF 1.90 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 10 September 2018. These financial statements do not reflect this dividend payable, which will be accounted for as an appropriation of retained earnings to be effected during the year ending 31 March 2018.

Acquisition of the YOOX NET-A-PORTER GROUP

In March 2018, the Group made a Voluntary Tender Offer for the share capital of YOOX-NET-A-PORTER GROUP (‘YNAP’), a luxury fashion online retailer registered in Italy and traded on the Italian Stock Exchange. The offer was conditional on acceptance by 90% of shareholders. On 9 May 2018, the offer period closed and it was announced that the total number of YNAP shares tendered in the offer, together with those shares already held by the Group, amounted to 94.999% of YNAP’s ordinary share capital. As such, the miminum acceptance threshold was reached and it was determined that the Group had gained control of YNAP from 9 May 2018.

Immediately prior to gaining control, the Group held an interest of 49 %, with voting rights restricted to 25%, and accounted for YNAP as an associated undertaking applying the equity accounting method. The carrying value of this investment at 31 March 2018 was € 1 103 million. The investment in the associated undertaking will be remeasured to fair value on the date of acquisition, resulting in a fair value gain of approximately € 1.4 billion, which will be recognised in share of post-tax profit of associated undertakings in the financial year ended 31 March 2019.

An initial estimate of the assets acquired is presented below. The fair value of these assets is provisional, pending finalisation of valuation work. Part of the goodwill balance presented below is likely to be reclassified to intangible assets once this work has been completed. None of the goodwill is expected to be deductible for tax purposes.

39. Events after the reporting period continued

Acquisition of The YOOX-NET-A-PORTER GROUP continued

	YOOX-NET-A-PORTER GROUP €m
Property, plant and equipment	**155**
Intangible assets	**499**
Other non-current assets	**4**
Inventory	**733**
Cash and cash equivalents	**90**
Trade and other receivables	**139**
Trade and other payables	**(583)**
Borrowings	**(259)**
Provisions	**(14)**
Current and deferred tax	**(17)**
Non-current liabilities	**(9)**
Net assets acquired	**738**
Fair value of net assets acquired	**738**
Attributable to non-controlling interest	**(37)**
Fair value of previous shareholding	**(2 475)**
Goodwill	**4 242**
Total consideration payable	**2 468**
Cash and cash equivalents acquired	**(90)**
Cash outflow on acquisition	**2 378**

40. Principal Group companies

Details of principal companies within the Group:

Country of incorporation	Location	Name of company	Effective interest	Share capital (currency 000's)
Subsidiary undertakings				
People's Republic of China	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 2 982 700
France	Paris	Société Cartier SAS	100.0%	€ 28 138
Germany	Hamburg	Montblanc Simplo GmbH	100.0%	€ 1 724
	Munich	Richemont Northern Europe GmbH	100.0%	€ 13 070
Hong Kong	Hong Kong	Richemont Asia Pacific Limited	100.0%	HK$ 4 162 500
Italy	Milan	Richemont Italia SpA	100.0%	€ 10 000
Japan	Tokyo	Richemont Japan Limited	100.0%	JPY 250 000
Jersey	Jersey	Richemont Luxury Group Limited	100.0%	CHF 4 722 900
South Korea	Seoul	Richemont Korea Limited	100.0%	KRW 5 887 560
Luxembourg	Luxembourg	Richemont International Holding SA	100.0%	CHF 911 971
Netherlands	Amsterdam	RLG Europe BV	100.0%	€ 17 700
Russia	Moscow	Limited Liability Company RLG	100.0%	RUR 50 000
Switzerland	Villars-sur-Glâne	Richemont International SA	100.0%	CHF 1 007 500
United Arab Emirates	Dubai	Richemont (Dubai) FZE	100.0%	AED 9 000
United Kingdom	London	Richemont Holdings (UK) Limited	100.0%	£1 078 672
United States of America	Delaware	Richemont North America Inc.	100.0%	US$ 117 649

Disposal of Group companies

During the year ended 31 March 2018, the Group disposed of several subsidiaries, including Manufacture Cartier Lunettes, an entity registered in France, and various companies operating under the Shanghai Tang brand. None of these subsidiaries was material to the Group.

Non-controlling interests in subsidiaries

The Group has no material non-controlling interests.

Report of the statutory auditor
to the General Meeting of Compagnie Financière Richemont SA
Bellevue, Switzerland

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Compagnie Financière Richemont SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 62 to 116) give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: € 82.9 million

We conducted a full scope audit at 43 reporting units, which brought a coverage of 90% of total revenue.

As key audit matters the following areas of focus have been identified:

Provision for uncertain tax positions

Inventory provisions

Audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organization, the Group has a very decentralised structure and operates in more than 25 countries over four main regions (Asia, Europe, Americas, and Middle East). Local full scope audit teams based in 15 different territories audit the business transactional operations and report to us on their audit results, in response to the instructions we sent to them. We, as group auditor, then ensure quality of their work through site visits, planning presentations with all teams, detailed review of their audit plan and final memorandum, and closing calls with teams of all significant entities. Procedures performed at group level include analytical procedures on entities not covered by group reporting requirements to ensure that any potential risk is identified and addressed. We also assess the appropriateness of Group accounting policies, assess accounting treatment of material or unusual transactions when prepared centrally and audit the consolidation, which includes the central consolidation adjustments, amongst others share based compensation, tax, equity and intercompany eliminations and business combination accounting when applicable. We finally validate the compliance of the consolidated financial statements with IFRS and Swiss law.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	€ 82.9 million
How we determined it	4.5% of consolidated operating profit, rounded
Rationale for the materiali benchmark applied	We have applied this benchmark, based on our analysis of the drivers of the business and its key performance indicators as defined by management and stakeholders of the Group. We chose to use the consolidated operating profit of Compagnie Financière Richemont SA. This excludes net finance cost/income which due to significant foreign exchange exposures, has been shown to be extremely volatile over the past few years and does not reflect the operational performance.

We agreed with the Audit Committee that we would report to them misstatements above € 4.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for uncertain tax positions

Key audit matter	*How our audit addressed the key audit matter*
The current income tax liabilities (€ 359 m at 31 March 2018) contains uncertain tax position provisions. The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and quantum of tax liabilities that are subject to the future outcome of assessments and potential assessments by the relevant tax authorities. To make those judgements, management follows an established and structured process whereby they systematically monitor and assess tax risks existence, development and settlement in each and all of their jurisdictions. The Group main tax risks are transfer pricing being outside an arm's length benchmark range and potential adverse results for ongoing tax audits. In accordance with this methodology, provisions for uncertain tax provisions are calculated and accounted for. Refer to note 4 - Critical accounting estimates and assumptions.	We have confirmed the Group's exposure in various countries through inquiry with local and group management, audited management's process to assess the risk of tax payments in the different jurisdictions because of potential challenges to the tax returns or positions as well as the measurement and timing of recognition of the provision when applicable. For a sample, we tested transactions with transfer pricing risks and risks of an adverse tax audit result for selected entities to check that an appropriate level of provision level representing the most likely outcome including related penalty and interest is booked. To perform our testing, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing and used our knowledge of the tax law and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions. When necessary we consulted with our tax experts. As disclosed in the notes to the consolidated financial statements, the calculations are subject to inherent uncertainty. In our view, the provisions are within a reasonable range of outcomes in the context of the uncertainty.

Inventory provisions

Key audit matter	*How our audit addressed the key audit matter*
Inventory provisions totalled € 650 m at 31 March 2018. The need for provisions pertaining to slow moving or identified for destruction finished goods is assessed centrally at the Maison level headquarters. Each Maison marketing and strategic functions classify their finished goods in product life cycle stages and a provision rate is determined for each stage based on both the selling out forecasts and the estimated recoverable value. Other provisions on finished goods (e.g. damage) and provisions on raw materials and work-in-progress are assessed in the local entities. Each Maison has specific provision rules and computes independently their provision rates. Maison provision rules and final provision values are assessed for consistency and approved by Group management. Refer to note 4 – Critical accounting estimates and assumptions and note 14 – Inventories	We coordinated specific tailored work and reporting for each Maison's material provisions on finished goods at the Maison headquarters. The procedures consisted of checking the Maisons' policies were correctly and consistently applied, were compliant with the Group accounting policies and were correctly reflected in the accounting records via central adjustment. The procedures also assessed the appropriateness of key assumptions, which include the recoverable value after destruction and selling out assumptions. We also tested the appropriateness of other provisions on finished goods and raw materials and work in progress. We executed additional independent analytical reviews procedures at consolidated level and corroborated the results with management. We assessed the principles of the inventory provision rules and concluded that these were consistent between Maisons and comply with accounting standards rules. Overall, we deem the provisions booked for the risk of inventory valuation to be a reasonable estimate.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Compagnie Financière Richemont SA and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley	Sylvère Jordan
Audit expert Auditor in charge	Audit expert

Geneva, 17 May 2018

Company financial statements

Compagnie Financière Richemont SA

Income statement

for the year ended 31 March

	Notes	2018 CHFm	2017 CHFm
Operating income			
Dividend income		**824.1**	1 009.1
		824.1	1 009.1
Operating expense			
General expenses	*3,4*	**12.4**	11.1
		12.4	11.1
Operating profit		**811.7**	998.0
Non-operating income/(expense)			
Financial income	*5*	**16.7**	22.0
Financial expenses	*5*	**(17.7)**	(6.1)
		(1.0)	15.9
Profit before taxes		**810.7**	1 013.9
Direct taxes		**1.2**	2.5
Net profit		**809.5**	1 011.4

Balance sheet

at 31 March

	Notes	2018 CHFm	2017 CHFm
Current assets			
Cash and cash equivalents		**939.1**	925.1
Other receivables		**0.6**	0.7
Taxation		**2.0**	2.4
Current accounts receivable from Group companies		**2 724.4**	2 937.8
		3 666.1	3 866.0
Long-term assets			
Long-term loans receivable from a Group company		**166.8**	175.1
Investments	*6*	**3 713.2**	3 713.2
		3 880.0	3 888.3
Total assets		**7 546.1**	7 754.3
Current liabilities			
Bank overdraft		**65.9**	68.0
Current accounts payable to Group companies		**2.5**	2.5
Accounts payable and accrued expenses		**0.9**	0.4
		69.3	70.9
Shareholders' equity			
Share capital	7	**574.2**	574.2
Statutory legal reserve	*8*	**117.6**	117.6
Reserve for own shares	*9*	**717.3**	622.6
Retained earnings	*10*	**6 067.7**	6 369.0
		7 476.8	7 683.4
Total equity and liabilities		**7 546.1**	7 754.3

Compagnie Financière Richemont SA

Notes to the Company financial statements

at 31 March 2018

Note 1 – General

Compagnie Financière Richemont SA ('the Company') is a limited liability company (société anonyme) with registered office at 50 Chemin de la Chênaie, 1293 Bellevue, Geneva, Switzerland. The main activity of the Company is the holding of investments in the luxury goods sector. The Company employs less than ten full-time equivalent employees.

Basis of preparation of the financial statements

The financial statements represent the financial position of Compagnie Financière Richemont SA at 31 March 2018 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company's Articles of Incorporation.

Note 2 – Significant accounting policies

Current accounts receivable from Group companies

Current accounts receivable from Group companies are stated at their nominal value. Impairment charges are calculated for these assets on an individual basis.

Investments

Investments in subsidiary companies are stated at cost less amounts written off for diminutions in value which are considered to be of a durable nature.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates, with the exception of investments in subsidiaries which are translated using historical exchange rates.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 3 – General expenses

General expenses include personnel costs of CHF 3.9 million (2017: CHF 3.4 million).

Note 4 – Board and executive compensation disclosures

Details of compensation required by the Swiss Code of Obligations, art. 663 and following, can be found in note 37 to the consolidated financial statements and in the Compensation Report.

Note 5 – Financial income/Financial expenses

Financial income includes CHF 8.3 million of exchange losses incurred on loans receivable from a Group company, as well as a bridge financing fee of CHF 5.2 million paid to a third party in relation to the financing of a Group company. In 2017, financial income included CHF 8.0 million of exchange gains incurred on loans receivable from a Group company.

Notes to the Company financial statements continued

Note 6 – Investments

Company	Domicile	Purpose	% capital/voting rights	2018 CHFm	2017 CHFm
Richemont Holdings AG	Switzerland	Investment holding company	100%	**770.7**	770.7
Richemont International Holding SA	Luxembourg	Investment holding company	100%	**2 324.0**	2 324.0
Richemont International SA	Switzerland	Operating company	100%	**387.4**	387.4
Richemont Luxury Group Ltd	Jersey	Investment holding company	100%	**231.0**	231.0
Richemont Securities SA	Switzerland	Depository/issuer of Richemont South African Depository Receipts	100%	**0.1**	0.1
				3 713.2	3 713.2

In addition, a list of significant direct and indirect subsidiaries can be found in note 40 to the consolidated financial statements.

Note 7 – Share capital

	2018 CHFm	2017 CHFm
522 000 000 'A' registered shares with a par value of CHF 1.00 each, fully paid	**522.0**	522.0
522 000 000 'B' registered shares with a par value of CHF 0.10 each, fully paid	**52.2**	52.2
	574.2	574.2

Note 8 – Statutory legal reserve

The legal reserve of CHF 117.6 million (2017: CHF 117.6 million) is not available for distribution.

Note 9 – Reserve for own shares

The reserve is created in respect of Richemont 'A' shares purchased by Richemont Employee Benefits Limited ('REBL'), a subsidiary company.

During the year REBL purchased 1 900 000 'A' shares in the open market (2017: 1 760 000 'A' shares were purchased).

During the year 142 462 'A' shares (2017: 262 476 'A' shares) were sold to executives under the Richemont share option plan by REBL and a further 1 478 322 'A' shares (2017: 1 750 684) were sold to a third party following the exercise of over-the-counter call options linked to the hedging programme.

At 31 March 2018, following these transactions, REBL held 9 641 916 Richemont 'A' shares (2017: 9 362 700) with a cost of CHF 717.3 million (2017: CHF 622.6 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 94.7 million has been transferred to the reserve (2017: CHF 21.6 million to the reserve) during the year.

Note 10 – Retained earnings

	2018 CHFm	2017 CHFm
Balance at 1 April	**6 369.0**	6 337.8
Dividend paid	**(1 016.1)**	(958.6)
Net transfer to reserve for own shares	**(94.7)**	(21.6)
Net profit	**809.5**	1 011.4
Balance at 31 March	**6 067.7**	6 369.0

Note 11 – Commitments and contingencies

At 31 March 2018, the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 5 863.4 million (2017: CHF 1 131.8 million).

The directors believe that there are no other contingent liabilities.

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 12 – Significant shareholders

Compagnie Financière Rupert

Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares representing 9.1% of the equity of the Company and controlling 50% of the Company's voting rights. Mr Johann Rupert, Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Mr Ruggero Magnoni, non-executive director of the Company, is a partner of Compagnie Financière Rupert.

Compagnie Financière Rupert does not itself hold any Richemont 'A' shares. Parties associated with Mr Johann Rupert and Compagnie Financière Rupert held a further 2 836 664 'A' shares or 'A' share equivalents at 31 March 2018.

Other significant shareholders

Richemont Securities SA, a subsidiary of the Company, acts as depository in respect of Richemont South African Depository Receipts ('DRs'), which are traded on the Johannesburg Stock Exchange operated by JSE Limited. DRs trade in the ratio of ten DRs to each Richemont 'A' share. In its capacity as depository and on behalf of the holders of DRs, Richemont Securities SA is the registered holder of one 'A' share in safe custody for every ten DRs in issue. Richemont Securities SA's interest in Richemont 'A' shares is non-beneficial in nature.

All dividends attributable to the 'A' shares held in safe custody are remitted by Richemont Securities SA individually to holders of DRs. Richemont Securities SA, as registered holder of 'A' shares, votes those shares at general meetings of shareholders of the Company. DR holders may provide Richemont Securities SA with voting instructions as to their holdings of DRs and Richemont Securities SA may only vote on behalf of those DR holders from whom it has received such instructions.

At 31 March 2018, Richemont Securities SA held 84 422 944 Richemont 'A' shares (2017: 82 499 345 shares), representing some 16% (2017: 16%) of the 'A' shares, in safe custody in respect of DRs in issue.

Proposal of the Board of Directors for the appropriation of retained earnings

At 31 March 2018

	CHFm
Available retained earnings	
Balance at 1 April 2017	**6 369.0**
Dividend paid	**(1 016.1)**
Net transfer to reserve for own shares	**(94.7)**
Net profit	**809.5**
Balance at 31 March 2018	**6 067.7**

Proposed appropriation

The proposed ordinary dividend payable to Richemont shareholders will be CHF 1.90 per Richemont share. This is equivalent to CHF 1.90 per 'A' registered share in the Company and CHF 0.19 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 21 September 2018, free of charges but subject to Swiss withholding tax at 35%, at the banks designated as paying agents.

The available retained earnings remaining after deduction of the dividend amount will be carried forward to the following business year.

The Board of Directors
Geneva, 17 May 2018

Report of the statutory auditor

to the General Meeting of Compagnie Financière Richemont SA
Bellevue, Switzerland

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Compagnie Financière Richemont SA, which comprise the balance sheet as at 31 March 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 March 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 37.7 million
How we determined it	0.5% of total assets, rounded
Rationale for the materiality benchmark applied	We chose total assets as the benchmark to determine our overall audit materiality, because, in our view, this metric is the most relevant factor when assessing a holding company which has limited operating activities and which holds mainly investments in subsidiaries and intra-group loans.

We agreed with the Audit Committee that we would report to them misstatements above CHF 3.8 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley	Mario Berckmoes
Audit expert Auditor in charge	Audit expert

Geneva, 17 May 2018

Five year record

Summary income statement	2014 re-presented* €m	2015 €m	2016 €m	2017 €m	2018 €m
Continuing operations					
Sales	10 023	10 410	11 076	10 647	**10 979**
Cost of sales	(3 532)	(3 534)	(3 958)	(3 848)	**(3 829)**
Gross profit	6 491	6 876	7 118	6 799	**7 150**
Net operating expenses	(4 064)	(4 206)	(5 057)	(5 035)	**(5 306)**
Operating profit	2 427	2 670	2 061	1 764	**1 844**
Net finance (costs)/income	72	(953)	2	(160)	**(150)**
Share of post-tax results of equity-accounted investments	(5)	(12)	(5)	(34)	**(41)**
Profit before taxation	2 494	1 705	2 058	1 570	**1 653**
Taxation	(415)	(369)	(370)	(360)	**(432)**
Profit from continuing operations	2 079	1 336	1 688	1 210	**1 221**
Profit/(loss) from discontinued operations	(12)	(2)	539	–	**–**
Profit for the year	2 067	1 334	2 227	1 210	**1 221**
Gross profit margin	64.8%	66.1%	64.3%	63.9%	**65.1%**
Operating profit margin	24.2%	25.6%	18.6%	16.6%	**16.8%**
Sales by business area					
Jewellery Maisons	5 438	5 657	6 048	5 927	**6 447**
Specialist Watchmakers	2 986	3 123	3 225	2 879	**2 714**
Other	1 599	1 630	1 803	1 841	**1 818**
	10 023	10 410	11 076	10 647	**10 979**
Sales by geographic region					
Europe	2 886	3 067	3 388	3 068	**2 986**
Middle East and Africa	705	841	975	885	**856**
Asia Pacific	4 139	4 100	3 937	3 903	**4 352**
Americas	1 405	1 588	1 745	1 781	**1 805**
Japan	888	814	1 031	1 010	**980**
	10 023	10 410	11 076	10 647	**10 979**
Sales by distribution channel					
Retail	5 223	5 436	6 142	6 389	**6 914**
Wholesale	4 800	4 974	4 934	4 258	**4 065**
	10 023	10 410	11 076	10 647	**10 979**
Sales by product line					
Watches	5 125	5 168	5 098	4 340	**4 368**
Jewellery	3 025	3 325	3 881	4 160	**4 537**
Leather goods	644	610	698	779	**780**
Writing instruments	347	361	382	396	**394**
Clothing and other	882	946	1 017	972	**900**
	10 023	10 410	11 076	10 647	**10 979**

* 2014, was re-presented for the reclassification of Net-A-Porter.

Operating results from continuing operations	2014 re-presented* €m	2015 €m	2016 €m	2017 €m	2018 €m
Jewellery Maisons	1 890	1 975	1 892	1 682	**1 926**
Specialist Watchmakers	778	730	520	226	**262**
Other	(29)	170	(94)	110	**(65)**
Operating contribution	2 639	2 875	2 318	2 018	**2 123**
Unallocated corporate costs	(212)	(205)	(257)	(254)	**(279)**
Operating profit from continuing operations	2 427	2 670	2 061	1 764	**1 844**

Free cash flow					
Operating profit from continuing operations	2 427	2 670	2 061	1 764	**1 844**
Operating profit/(loss) from discontinued operations	(8)	1	(91)	–	**–**
Depreciation, amortisation and other non-cash items	490	294	620	161	**645**
Increase in working capital	(34)	(578)	(171)	(29)	**234**
Other operating activities	(16)	(23)	(9)	11	**7**
Taxation paid	(365)	(660)	(446)	(288)	**(346)**
Net acquisition of non-current assets	(676)	(186)	(719)	(592)	**(1 294)**
Free cash flow	1 818	1 518	1 245	1 027	**1 090**

Per share information (IFRS)	2014 re-presented*	2015	2016	2017	2018
Diluted earnings per share					
– from continuing operations	€ 3.696	€ 2.359	€ 2.983	€ 2.141	**€ 2.158**
– from discontinued operations	€ (0.020)	€ (0.003)	€ 0.952	–	**–**
	€ 3.676	€ 2.356	€ 3.935	€ 2.141	**€ 2.158**

	2014	2015	2016	2017	2018
Ordinary dividend per share	CHF 1.40	CHF 1.60	CHF 1.70	CHF 1.80	**CHF 1.90**
Closing market price:					
Highest price	CHF 95.55	CHF 94.35	CHF 86.85	CHF 79.20	**CHF 92.25**
Lowest price	CHF 68.15	CHF 69.90	CHF 60.75	CHF 53.50	**CHF 77.50**

Exchange rates	2014	2015	2016	2017	2018
Average rates					
€ : CHF	1.2295	1.1777	1.0733	1.0830	**1.1354**
€ : CNY	8.2019	7.8584	7.0200	7.3774	**7.7446**
€ : JPY	134.37	138.75	132.50	118.75	**129.66**
€ : US$	1.3407	1.2688	1.1040	1.0971	**1.1705**

Average number of employees	2014 re-presented*	2015	2016	2017	2018
Switzerland	8 586	8 732	8 664	8 270	**8 214**
Rest of the world	18 200	19 592	20 146	20 310	**20 526**
	26 786	28 324	28 810	28 580	**28 740**

* 2014 was re-presented for the reclassification of Net-A-Porter.

Statutory information

Compagnie Financière Richemont SA

Registered office

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

Registrar

Computershare Schweiz AG
P.O. Box, 4601 Olten
Switzerland
Tel: +41 (0) 62 205 7700
Email: share.register@computershare.com

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Swen Grundmann
Company Secretary

Tel: +41 (0) 22 721 3500
Email: secretariat@cfrinfo.net

Investor and Media contact

Sophie Cagnard
Group Corporate Communications Director

James Fraser
IR Executive

Tel: +41 (0) 22 721 3003 (investor relations)
Email: investor.relations@cfrinfo.net

Tel: +41 (0) 22 721 3507 (press inquiries)
Email: pressoffice@cfrinfo.net

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

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

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

Notice of meeting*

The Annual General Meeting ('AGM') of shareholders of Compagnie Financière Richemont SA (the 'Company') will be held at 10.00 am at the Four Seasons Hotel des Bergues, 33 Quai des Bergues, 1201 Geneva, Switzerland on Monday, 10 September 2018.

Agenda

1. **Annual Report**

2. **Appropriation of profits**

3. **Release of the Board of Directors**

4. **Election of the Board of Directors and its Chairman**

5. **Election of the Compensation Committee**

6. **Re election of the Auditor**

7. **Election of the Independent Representative**

8. **Votes on the aggregate amounts of the compensation of the Board of Directors and the Executive Management**
   - **8.1 Approval of the maximum aggregate amount of compensation of the members of the Board of Directors**
   - **8.2 Approval of the maximum aggregate amount of fixed compensation of the members of the Senior Executive Committee**
   - **8.3 Approval of the maximum aggregate amount of variable compensation of the members of the Senior Executive Committee**

* This is a draft notice. The official notice convening the AGM will be published in the Swiss Gazette and will be distributed in accordance with Swiss law and may differ from this notice in respect to the definitive proposals.

The financial statements of the Group and of the Company, the directors' report, the compensation report and the related reports of the auditor for the year ended 31 March 2018, which are all contained in the Richemont Annual Report and Accounts 2018, will be available for inspection at the registered office of the Company from 18 July 2018 onwards. Printed versions of all such documents will be sent to shareholders upon request. The Richemont Annual Report and Accounts 2018 is also available on the Company's website at www.richemont.com/investor-relations/reports.html

Shareholders entered in the share register, with the right to vote, by Thursday 30 August 2018 at 5.00 pm, are entitled to participate in the Annual General Meeting. Shareholders registered by that date will receive their admission cards (by priority mail) on request using the reply form enclosed with the invitation. The reply form or a corresponding notification must reach either the Company's registrar, Computershare Schweiz AG ('Computershare'), Baslerstrasse 90, P.O. Box, 4601 Olten, or the independent representative of the shareholders, not later than Monday 3 September 2018. Reply forms or notifications arriving after that date will not be taken into consideration.

Shareholders may either represent their shares themselves or have them represented, either by a third party, whether or not a shareholder, if the latter is given a written proxy or by the independent representative of the shareholders, Maître Françoise Demierre Morand, Etude Gampert & Demierre, Notaires, 19 rue Général-Dufour, case postale 5326, 1211 Geneva 11, Switzerland.

Compagnie Financière Richemont SA provides the possibility to vote online. Shareholders may digitally despatch their voting instructions to the independent representative using Computershare's eComm-Portal. Personal login-keys and detailed instructions regarding the portal will be sent with the invitations to the AGM.

The meeting will be held in English with a simultaneous translation into French.

Personal data processing

Shareholders are informed that the Company, as controller, processes the personal data of the shareholders and proxyholders (name, address, contact details, number of shares held, voting instructions) in the context of the meeting in accordance with applicable data protection laws. The Company processes such personal data in order to comply with the legal obligation of holding this meeting. Such personal data will be used for the purposes of analysing and administering the attendance and voting process in connection with the meeting, as set out in this convening notice, and will be transferred to third parties assisting in the administration of the voting process. You have the right to ask for access to any information that we hold about you and to correct any inaccuracies. For further details on how we process your information and for details of who you can contact for further information or to exercise your rights, please refer to the Privacy Policy found at www.richemont.com/.

For the Board of Directors:

Johann Rupert	**Burkhart Grund**
Chairman	**Chief Finance Officer**

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