RICHEMONT

Annual Report and Accounts 2017

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.

Financial and operating highlights

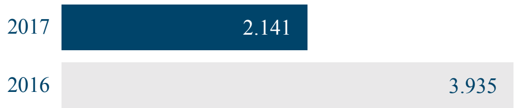
Group sales (€m)

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 decreased by 4% at both actual and constant rates to € 10 647 million. Excluding the impact of previously announced exceptional inventory buy-backs, sales declined by 2% at constant rates
- Sales of jewellery, leather goods and writing instruments increased
- Growth was strong in mainland China, Korea and in the UK; the USA returned to growth
- Operating profit decreased by 14%
- Net cash position increased by € 452 million to € 5.8 billion
- Proposed dividend of CHF 1.80 per share, an increase of 6%

Chairman's review

Johann Rupert, Chairman

Overview of results

The past year posed challenges for Richemont. The Group responded to changes in demand, which particularly affected our watch businesses, and shifting patterns of consumption. The Group has addressed those challenges by taking significant measures which, while having weighed on short-term financial performance, will ensure Richemont is well positioned for the future.

In the year under review, Richemont reported a limited decrease in sales reflecting growth in retail sales offset by a decline in wholesale sales. The second half of the year saw an improvement overall. The US, Richemont's largest country, resumed growth while Mainland China, now the Group's second largest country, enjoyed strong growth along with Korea, the United Kingdom and Macau. Excluding exceptional initiatives to improve inventory at our multi-brand retail partners and to optimise certain retail and wholesale locations, the decline in sales would have been contained to 2% at constant exchange rates.

Growth in jewellery, leather goods and writing instruments partly mitigated weak wholesale sales which were largely affected by the above-mentioned initiatives. Cartier watches, within the Jewellery Maisons, and the Specialist Watchmakers were impacted by exceptional buy-backs and capacity adjustment measures. Montblanc, Chloé and Peter Millar reported good progress.

Our Maisons have continued to adjust their fixed cost bases and manufacturing structures to a sustainable level of demand. Accordingly, significant one-time charges were recorded in operating profit, which decreased by 14%.

Profit for the year was well below the prior year's level. Excluding the one-time gain on the merger of the NET-A-PORTER and YOOX Groups in the prior year, profit for the year would have decreased by 24%.

Good working capital management limited the decline in cash flow from operations whilst cost control and the disposal of investment properties contributed to an increase in net cash to € 5.8 billion at 31 March 2017.

Dividend

Based upon the cash flow generation and the increase in net cash, the Board has proposed a dividend of CHF 1.80 per share; up from CHF 1.70 per share last year.

Management changes

As announced in November 2016, we are in a period of senior management change. My valued colleague, Mr Richard Lepeu, retired from his position as Chief Executive Officer on 31 March this year. He has played an invaluable role over the past 38 years in building Richemont to its current size and strength through his involvement with Cartier for the first 22 years, and at Group level for the last 16 years. I am pleased to say that Richard will be advising me on Group and Maison developments going forward.

I should also like to thank Mr Gary Saage for his contribution to ensuring financial discipline across the Group in his capacity as Chief Financial Officer. Richemont's strong cash position is due in no small measure to Gary's strict management of working capital – something that I know his successor will continue to pay close attention to. Gary returns to the US and hands over his position at the end of July this year. However, he will remain as a non-executive director on the Board.

Richemont's new senior management team comprises Mr Georges Kern, who is responsible for our watchmaking businesses, digital and marketing and Mr Jérôme Lambert, who has responsibility for the Richemont regional platforms and services and for our other businesses other than Cartier, Van Cleef & Arpels and the specialist watchmakers. They both took up their new roles formally at the beginning of April, having benefited from a handover period with Richard. Mr Cyrille Vigneron continues to oversee Cartier and Mr Nicolas Bos, Van Cleef & Arpels. Mr Burkhart Grund took on the role of Deputy Group CFO last year and will take over from Gary with effect from 1 August this year.

Annual General Meeting

The following board members will not be standing for re-election at the annual general meeting to be held in September: 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. We will miss the contribution from those former senior executives and non-executive directors and I would like to take this opportunity to thank each of them for their loyal and valuable support. Their wisdom and knowledge of Richemont's businesses will, however, not be lost to the Group, as they will continue to support your Board in an individual advisory capacity in the future.

At the annual general meeting, shareholders will be asked to elect nine new directors to the Board: Messrs Nicolas Bos, Burkhart Grund, Georges Kern, and Jérôme Lambert would serve as executive directors; Messrs Clay Brendish, Nikesh Arora and Anton Rupert, my son, as well as Dr Keyu Jin and Dr Vesna Nevistic would serve as non-executive directors. Their biographies may be found in the corporate governance section of this annual report.

Mr Clay Brendish, a graduate of Imperial College London, qualified as a Chartered Engineer. His professional background is in the Information Technology and Telecommunications industry, having founded Admiral plc in 1979. Clay currently serves as an advisor to Richemont's Strategic Security Committee. If elected, Clay will serve as a non-executive director and will serve as lead independent director, a position he is extremely well-qualified to fill.

Mr Nikesh Arora has had a distinguished career as a senior executive, an advisor and non-executive director. From India, Nikesh moved to the US and held a number of senior positions in the finance and technology sectors. He was Senior Vice President and Chief Business Officer of Google to 2014 and was most recently Vice-Chairman of Softbank, the global telecommunications and technology company, and President and CEO of its internet and media operations. Nikesh will bring his great intellect and broad-based understanding of international business to the Board and I look forward very much to his contribution to Richemont's future development.

Mr Anton Rupert's proposed appointment to the Board would bring further insight into changing consumer behaviour in our target markets, in particular in the areas of digital marketing and web-based commerce. Anton has had extensive exposure to all of the Group's businesses over the past eight years.

Dr Keyu Jin is an Associate Professor of Economics at the London School of Economics. From Beijing, Keyu holds a BA, MA and a PhD from Harvard University. Her specific areas of expertise are international macroeconomics, international finance and the Chinese economy. Keyu will bring a new dimension to the Board and we look forward to her nomination being approved.

Dr Vesna Nevistic has gained extensive experience in international consulting and finance, having been a partner at McKinsey and Goldman Sachs. From 2009 to 2012 Vesna was a Group Managing Director at UBS and part of the team which restructured the bank's operations following the financial crisis. She holds Swiss and Croatian citizenship and has a PhD in Electrical Engineering from the Swiss Federal Institute of Technology. Vesna is currently an independent consultant, offering advice on corporate strategy and restructuring.

We also sincerely thank the over 28 000 employees of the Group for the talents and skills that they bring to Richemont as well as their commitment and hard work, especially during the challenging times the Group has faced in recent years.

Peace Parks Foundation and Laureus

On pages 36 and 37, you may read about the commendable work of the Peace Parks Foundation and the Laureus Sport for Good Foundation ('Laureus'). The Peace Parks Foundation has created and continues to protect a network of vast ecosystems that traverse Southern Africa's political borders. Laureus uses the power of sport to improve the lives of disadvantaged young people around the world. Laureus also celebrates sporting excellence at the annual Laureus World Sports Awards, held most recently in Monaco. Richemont is proud to be associated with the inspiring vision of these Foundations and invites you to join us in supporting their work.

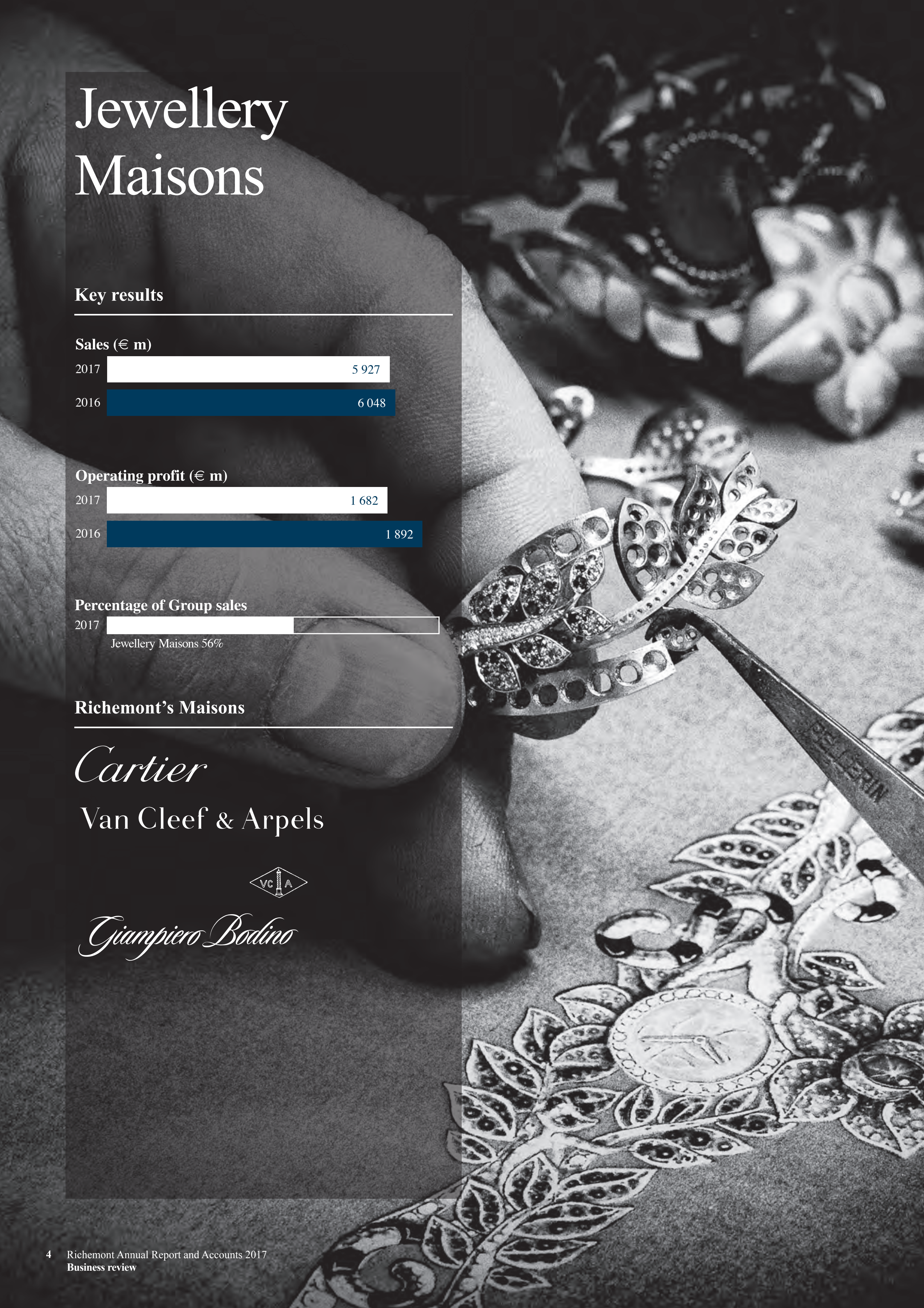
Outlook

Volatility and uncertainty in the geopolitical and trading environments are likely to prevail. Our attention is focused on transitioning the Group to adjust to operating in a more sustainable growth environment, by adapting our product offer, communication and distribution to new consumption patterns while allocating resources primarily towards research and innovation, digital marketing, online sales platforms and training in all of our Maisons.

Richemont has a strong cash flow and a strong balance sheet that enables us to focus on value creation for shareholders over an extended time horizon. This approach allows our Maisons, which have significant brand equity and heritage, to plan and grow in what we continue to believe is a unique business with excellent long-term prospects.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 12 May 2017



Jewellery Maisons

Key results

Sales (€ m)

2017	5 927
2016	6 048

Operating profit (€ m)

2017	1 682
2016	1 892

Percentage of Group sales

2017

Jewellery Maisons 56%

Richemont's Maisons

Cartier

Van Cleef & Arpels

Giampiero Bodino

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

- The *Cartier Magicien* High Jewellery collection was first presented in the French Riviera.
- The 5th Avenue Mansion re-opened following extensive refurbishment.
- The iconic *Panthère de Cartier* watch was the highlight of the 2017 Salon International de la Haute Horlogerie.

Distinctive creativity, exceptional savoir faire and iconic style – which are at the heart of the Maison's ongoing leadership – were once again highlighted during the unveiling of the latest Cartier High Jewellery collection. *Cartier Magicien* was presented first to connoisseurs and clients in the French Riviera before touring the world. Composed of some one hundred colourful creations, this collection met with great commercial and journalistic acclaim.

Other jewellery highlights in 2016 included the launch of a new creative floral signature, *Cactus de Cartier*, as well as several diamond collections.

Cartier also stands for creative watchmaking and confirms its position. For the 2017 edition of the Salon International de la Haute Horlogerie, the Maison continued to support its *Drive de Cartier* watch, with an extra-flat, extra-elegant new model. Cartier expressed the excellence of its craftsmanship with the launch of innovative timepieces such as *La Rotonde de Cartier Astromystérieux*. The highlight of the 2017 Salon has been the rebirth of the iconic *Panthère de Cartier*.

Cartier's ability to showcase all of its creations in the ultimate retail environment has been, more than ever, at the centre of the Maison's priorities. As a result, its boutique network has undoubtedly become one of its prime assets. Built around a network of 278 Cartier boutiques, the Maison constantly and tirelessly assesses its retail experience. A warm welcome, comfort, luxuriousness and appeal in the presentation of creations have all been areas of particular attention. In 2016, Seoul Cheongdam Road, New York City 5th Avenue Mansion, and Tokyo Ginza flagship have been re-opened, and have been the occasion for impressive and well received opening events.

To complement and support the appeal of the Maison's boutiques, Cartier can now truly count on its e-commerce network. This digital experience answers clients' higher expectations for service, accessibility and performance through 19 mobile versions of Cartier sites all over the world, including mainland 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 2016, the Fondation Cartier presented The Great Animal Orchestra, a groundbreaking project dedicated to the animal world. Driven by a spirit of curiosity and exploration, the Fondation Cartier is now preparing a photo exhibition relating the parallel history of photography and the automobile, with more than 500 works, realised by worldwide artists. Abroad, the Fondation Cartier is developing an ambitious programme of exhibitions: this year, the Fondation will exhibit a major selection from its collection in Seoul, and the masterpiece EXIT, an immersive installation on human migrations, will be presented in different cities: Shanghai, Sydney and Melbourne.

Instituted in 2012 to catalyse the Maison Cartier's philanthropic commitment to improve the livelihoods of the most vulnerable, the Cartier Charitable Foundation focuses on the most excluded, in particular women and children living in the world's least developed regions. The Foundation currently supports 17 partners, mostly non-governmental, in 28 developing countries.

In the year ahead, Cartier will unveil another High Jewellery collection and Fine Jewellery novelties, while *Juste un Clou* will be the major highlight for Jewellery. On Watches, the Maison will continue to support its icon, *Panthère de Cartier*, and will launch the Tank 100 years celebration.

The London New Bond Street renovation will take place at the end of the year, with a new concept for the Maison.

Cyrille Vigneron
Chief Executive

Bond Street boutique, London

13 rue de la Paix boutique, Paris

Established 1847
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

- Four High Jewellery collections were launched in one year.
- The Maison's heritage dimension was enhanced through exhibitions and dance projects.
- The digital roadmap integrates e-services and communications, while respecting Van Cleef & Arpels' identity.

In 2016, the major launches were focused on High Jewellery with four collections unveiled across the world: *Emeraude en Majesté*; *L'Arche de Noé*; *Contes d'Hiver*; and *Ballet Précieux*. Also important were: the launch of a new Poetic Complication, the *Papillon Automate* watch; the unveiling of an extraordinary object, the *Fée Ondine Automate*; the launch of *Bouton d'Or* collection; and the continuous support of the *Perlée* collection as a second daywear signature alongside *Alhambra*.

With a network of 124 stores worldwide, the Maison has built a well-balanced geographic network serving many nationalities. In the past year, the Maison reinforced its retail-only distribution strategy. It opened eight new locations, expanding to Australia with stores in Sydney and Melbourne and reinforced its presence in key markets including the Americas, China and Korea. The Maison continued to invest in its existing network, renovating four stores including the Selfridges boutique in London.

The Maison continued to enhance its heritage dimension through 'The Art & Science of Gems' exhibition in Singapore; reinforced its links with the world of culture and dance through projects such as the Fedora – Van Cleef & Arpels Prize for ballet; and the third chapter of Gems trilogy choreographed by Benjamin Millepied, On The Other Side.

L'ÉCOLE 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.

The Maison's digital roadmap will better integrate the different dimensions of its activities, while respecting and expressing its identity. The first projects, regarding e-identity, e-services and e-sales, are being implemented.

Human resources are at the heart of our Maison. Our focus consists in building sustainable teams, reinforcing expertise, promoting flexibility and adaptability of our organisation. This ensures 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 main values of creativity, transmission, expertise, and maintain a balanced presence and development all over the world.

The key moments will be the relaunch of the *Frivole* jewellery collection; the launch of *Le Secret* High Jewellery collection in Japan; and the opening of a Patrimonial exhibition dedicated to crafts and savoir faire in Kyoto.

The network will be complemented by new stores in key cities, including Munich, Toronto and Tokyo. The existing boutique network will continue to be upgraded, with major renovations in Hong Kong and Shanghai.

Nicolas Bos
Chief Executive

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

Specialist Watchmakers

Key results

Sales (€ m)

2017	2 879
2016	3 225

Operating profit (€ m)

2017	226
2016	520

Percentage of Group sales

2017

Specialist Watchmakers 27%

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 HORLOGER GENEVOIS

JAEGER-LECOULTRE

VACHERON CONSTANTIN Manufacture Horlogère. Genève, depuis 1755.

Joint venture

RALPH LAUREN WATCH AND JEWELRY CO.

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.

Old family home and manufacturing building, built in 1873

- *Tourbograph Perpetual 'Pour le Mérite'* brought together five mechanisms in one watch.
- *Zeitwerk Decimal Strike* signals the time at ten-minute intervals.
- Founder Walter Lange passed away at 92 years. The example he set still shapes the company's culture.

Since its re-foundation in 1990, Lange has developed 59 different in-house calibres, each revealing its unmistakable origins in high-precision Lange pocket watches. In 2016, the brand received twelve international awards for its products and the Maison itself.

This year's product highlight is the *Tourbograph Perpetual 'Pour le Mérite',* which brings together five traditional mechanisms in one watch: fusée-and-chain transmission, tourbillon, chronograph, rattrapante function and perpetual calendar. The product family of this highly complex classic also features the new *1815 Annual Calendar* with a manually wound movement and analogue date, weekday and month, as well as a moon-phase display. With a chiming movement, that acoustically signals the time in ten-minute intervals, the *Zeitwerk Decimal Strike* makes time audible in a new way. Its case is made of honey gold, a special alloy used exclusively by Lange. Furthermore, A. Lange & Söhne presented the new *Lange 1 Moon Phase* with a day/night indication and the *Little Lange 1 Moon Phase* in pink gold featuring a guilloched, argenté-coloured dial. The *Saxonia* family is growing with the addition of two new models with a mother-of-pearl dial. This product family is complemented by a *Lange 31* version in white gold with a grey dial, which has a power reserve of 31 days and a patented constant-force escapement.

For the seventh time, A. Lange & Söhne has organised the international F. A. Lange Scholarship & Watchmaking Excellence Award in 2016 to support the education of the next generation of watchmakers, and will continue with this programme in 2017.

The Maison is also perpetuating sponsorships for the Dresden State Art Collections, the Semper Opera house in Dresden and the Concorso d'Eleganza Villa d'Este, a renowned contest for beauty and elegant design of classic automobiles.

A. Lange & Söhne timepieces are available in 60 countries. The Maison has opened new boutiques in Beirut and Macau, reaching 17 in total.

On 17 January 2017, company founder Walter Lange passed away at the age of 92 years. He continued to serve as an ambassador. Thanks to his courage, his vision, his critical spirit and his sincere interest in the people around him, he was not only a symbol of continuity, but also a father figure. The manufactory he brought back to life has long since become independent and is growing beyond the personality of its founder. But the example he set still shapes the culture of the company today.

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.

Baume & Mercier headquarters in Geneva

- Launch of two *Capeland Shelby® Cobra* limited editions in tribute to legendary drivers, with an international event on the Castellet race track.
- Launch of the *Petite Promesse* within the *Promesse* collection to enrich and rejuvenate the feminine range.
- Launch of the *Perpetual Calendar*, part of the emblematic pieces from the *Clifton* collection.

In a volatile economic context Baume & Mercier confirmed its core positioning with high-quality, affordable timepieces focused firmly on customers' expectations and desirability.

The Maison's partnership with Shelby American was renewed, with the launch of two *Capeland Shelby® Cobra* chronographs: in tribute to the legendary drivers and the victories of a Cobra that made history on the Sebring track in 1963. The Maison set a new tone for communication by presenting women's watches as fashion accessories, featuring innovative materials and colours typified by the on-trend *Petite Promesse* collection, which was supported by digitally driven communication among influencers and bloggers. Major transformation plans were announced for digital operations across social networks and the website, most notably for e-commerce.

Baume & Mercier reinforced its visibility at key cultural events, such as the Taormina Film Festival in Sicily, the classical music festival 'Un Violon sur le Sable' in France, the Passione Engadina classic car rally in Switzerland and the Fashion Forward week in Dubai; as well as maintaining its partnerships with the best-renowned business schools around the world.

The first year of co-operation with brand ambassador Chen Kun (China) was marked by a number of campaigns and events in Asia.

For 2017, our priority is to offer products tailored to the evolving market, without any compromise on quality. It is with this in mind that the Maison has launched the *My Classima* range, intended to enrich the range dedicated to celebrating moments and to reinforce its close ties with clients. On the masculine side, following in the success of the *Clifton* collection, gentlemen sportsmen were naturally keen to have a product tailored to their requirements. It is to them that Baume & Mercier has dedicated the *Clifton Club*, a series of five models radiating sophisticated elegance.

In a period widely defined as the 'season of reason', the strong values of the Maison Baume & Mercier are embodied in superior products known around the world for their fair pricing and ability to meet the broadest possible range of customer expectations.

Alain Zimmermann
Chief Executive

Established 1830
50 chemin de la Chênaie, Bellevue, Geneva, Switzerland
Chief Executive Officer Alain Zimmermann
Finance Director Jean-Baptiste Dembreville
www.baume-et-mercier.com

IWC SCHAFFHAUSEN

Since 1868, IWC Schaffhausen has been crafting exquisite timepieces which combine innovative ideas with pure, distinctive designs. With our focus on engineering, our products appeal to enthusiasts with a technical interest in watches and an affinity for discreet luxury.

IWC headquarters in Schaffhausen

- The *Da Vinci* collection was relaunched, aiming to anchor the Maison in the minds of female audiences.
- The new *Ingenieur* collection takes its inspiration from the original 1955 models and repositions the family as elegant-sporty.
- IWC opened its first internal boutique in Germany with the Munich flagship boutique.

The year saw the notable success of the new *Pilot's Watch* collection. The collection addresses a much broader audience through its elegant-sporty positioning, an extended offering for both women and men, and sought-after editions such as '*Le Petit Prince*' with its typical midnight blue dial.

Another focal point of our year was the 2017 Salon International de la Haute Horlogerie launch of the revitalised *Da Vinci* collection, which revisits the iconic *Da Vinci* round case design of the 1980s. The *Automatic 36* and *Automatic Moon Phase 36* are tailored to anchor the Maison in the minds of female audiences, who now account for a growing proportion of IWC aficionados. A highlight of the collection is the *Da Vinci Chronograph Edition* 'Laureus Sport for Good Foundation', with its blue dial and an engraved drawing provided by the winner of the annual IWC Laureus children's drawing competition.

At the 75th Goodwood Members' Meeting, IWC introduced the new *Ingenieur* collection, opening a new chapter for this iconic product line with new design, new movements and new positioning. The collection takes its inspiration from the original *Ingenieur* references from 1955 and repositions the family as elegant-sporty everyday timepieces.

In the world of motor sport, next to the Goodwood Members' Meeting, we continued our partnerships with the Mercedes AMG Petronas Formula One™ Team, Mercedes-AMG and the Rallye Passione Caracciola.

We underlined our long-standing passion for cinema as the Official Partner of the Tribeca Film Festival New York, the Beijing Film Festival, the Dubai Film Festival, the Singapore International Film Festival, the BFI London Film Festival and the Zurich Film Festival.

Our internal boutique network saw openings in Milan, Macau and Seoul during the year. Further selective locations will be added, including Munich, which will see Germany's first flagship boutique in Neue Residenzstrasse. In addition, the relaunch of the IWC website, including the roll-out of full e-commerce features, is well underway, forming part of our digital roadmap.

The new IWC manufacturing centre in Merishausen, adjacent to Schaffhausen, will commence operations in early 2018, in time for IWC's 150th anniversary. The new facility will concentrate on the development and production of IWC-manufactured movements and haute horlogerie complications.

Georges Kern
Chief Executive

Established 1868
Baumgartenstrasse 15, Schaffhausen, Switzerland
Chief Executive Officer Georges Kern
Chief Financial Officer Kimberly S. Mattoon
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

- 2016 saw the 85th anniversary of the iconic *Reverso*.
- Celebrations took place throughout the year, with events inspired by the Art Deco artistic movement and the sport of polo.
- The *Rendez-Vous* collection for women was enlarged and is supported by a range of digital experiences.

The year was marked by the 85th anniversary of the iconic *Reverso*. To celebrate this event, the Maison completely overhauled the *Reverso* line. The artisans and designers of the Grande Maison joined forces to rejuvenate this historic piece in the spirit of the very first reversible watch created by Jaeger-LeCoultre. For instance, and for the first time in its 85-year history, the *Reverso Classic* has been equipped with an automatic movement. This achievement was made possible by the expertise of the Maison in the development of in-house calibres. The case of the *Reverso* has been revamped with a curved back to perfectly fit the shape of the wrist. The level of finishing of the cases and dials of this new *Reverso* has also been enhanced to continuously raise its appeal.

The *Reverso* was celebrated all year long. In Shanghai and Venice, where the Maison is a patron of international film festivals, Art Deco inspired events have been hosted to celebrate the artistic movement from which stems the distinctive personality of this icon. In the UK, Switzerland and Argentina, the Maison honoured the sport of polo, which gave birth to the *Reverso* in 1931 and whose values of elegance and refinement match those of Jaeger-LeCoultre.

Meanwhile, the Maison has continued its selective distribution strategy, opening a boutique in Tokyo's Ginza, reinforcing its presence in that city. The boutique in Luzern, Switzerland was relocated and in the year to come our Beijing flagships will be enhanced and relocated as well.

In the year ahead, the Maison will celebrate femininity with a focus on its *Rendez-Vous* collection. During the 2017 Salon International de la Haute Horlogerie, Jaeger-LeCoultre revealed a totally renewed *Rendez-Vous* offer, focused on a reduced number of sizes and on the best-selling night & day and moonphase complications. This collection will be supported digitally on social media, customer relations and e-commerce.

In the longer term, Jaeger-LeCoultre will continue to celebrate High Watchmaking in its purest expression for its refined and international clientele. The communication of the Maison will also be enhanced to appeal to a larger number of people and raise brand awareness.

Georges Kern
Chief Executive

Established 1833
Rue de la Golisse 8, Le Sentier, Switzerland
Chief Executive Officer Georges Kern
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

- The *Luminor Due* combines precision with a new design, suited for special and elegant occasions.
- Panerai's sponsorship of the America's Cup conveys its commitment to the most advanced sailing technologies.
- Partnerships with influential designers, institutions and events underscore design and innovation.

The launch of the *Luminor Due* collection was amongst the year's highlights. The *Luminor Due* is a new Panerai case, faithfully inspired by the original aesthetics of the iconic *Luminor* of the 1950s, and made more contemporary thanks to a lighter, thinner case. The *Luminor Due* combines precision and reliability with a new design particularly suited for special and elegant occasions. The new collection was presented to the public during the Panerai Dive into Time exhibition in Florence.

Panerai continues to increase the level of technical awareness through the presentation of the new calibre P.2005/MR with the exclusive Tourbillon regulator and the remarkable double Minute Repeater mechanism chiming either local time or a second time zone. The new *Radiomir 1940 Minute Repeater Carillon Tourbillon GMT* is technically the most complicated watch ever made by the Panerai Manufacture in Neuchâtel.

At the same time, the introduction of Special Editions dedicated to the boutique network provides the opportunity to further reinforce the exclusivity of the Maison.

Panerai's historic link with the sea continues to be expressed by the Panerai Classic Yachts Challenge, the international regatta circuit reserved for vintage yachts. Also participating is the ketch Eilean of 1936, Panerai ambassador and platform for publicity activities and Corporate Social Responsibility. The latest development is Panerai's sponsorship of the America's Cup, the best known sailing event in the world. This sponsorship conveys Panerai's commitment to research and development in the most advanced technologies in the field.

In addition to its historic communication pillars – Florence, the sea, the Swiss Manufacture – international cooperation is also growing in the field of design. Panerai is involved in this area through partnerships with influential designers, institutions and events, including the Milan Design Week, the London Design Festival, the Slice of Time event in Tokyo by the nendo design studio, and Miami Design.

During the year, to continue its development in the digital environment, Panerai launched new website features. The China version is now integrated with e-commerce functionality, together with the US e-commerce version launched last year.

Panerai continues to consolidate its digital presence by developing specific content and videos for the social media networks, raising the awareness of Panerai globally. Amongst those activities, a special focus has been given to Chinese social media with the development of WeChat, Youku and Weibo.

The Manufacture in Neuchâtel, Switzerland confirms Panerai as a sports brand featuring a high degree of Manufacturing know-how, deeply rooted in Italian design and innovative technology.

Angelo Bonati
Chief Executive

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

Piaget

Piaget enjoys unrivalled credentials as both a Watchmaker and Jeweller. The fully integrated Manufactures enable the Maison to affirm its unique expertise in ultra-thin movements and gold crafting. Among its technical skills, Piaget is known for its boundless creativity shown in each new breathtaking thematic collection.

Piaget's manufacture and headquarters, Geneva

- The *Piaget Polo S* was created for a new generation of gamechangers.
- The *Sunny Side of Life*, a collection blending Haute Joaillerie and Haute Horlogerie.
- Piaget's long association with cinema was embodied in film awards, on the red carpet and through International Brand Ambassadors.

During the year, Piaget asserted its identity by expanding its iconic lines and continuing to be creative, ambitious and audacious, whether it be in watches or in jewellery.

Piaget launched the *Piaget Polo S* in New York City. While recognised throughout the world, Piaget has always had a particular association with New York. It was here that the original *Piaget Polo* first rose to fame. Piaget created the *Piaget Polo S* for a new generation: a generation of gamechangers, men ready to rewrite the rules in their own profession.

2017 is also the 60th anniversary of its iconic watch line, the *Altiplano*. To celebrate this anniversary, Piaget introduced new movements and a design inspired by historical models.

Piaget won two prizes during the Grand Prix d'Horlogerie de Genève: for the best ladies and the best Métiers d'Art watches with its *Limelight Gala Milanese* Bracelet and *Protocole XXL 'Secrets and Lights' Venice Micro-Mosaic*.

Research and development has always been a central challenge for Piaget; this is why Piaget is launching in 2017 the Piaget Scientific Prize. The latter will reward a candidate with a research topic presenting a particularly innovative research project and paving the way for major technological advancements in the field of miniaturisation.

Piaget has also launched an impressive 'Haute Joaillerie et Haute Horlogerie' collection, *Sunny Side of Life*, that blends beautifully the creativity of Piaget, sublimated by exceptional stones and impressive decorative techniques and Métiers d'Art, such as the feather marquetry and enamel. This collection, comprising 150 creations, was revealed during events in Paris during Fashion Week, in Singapore and in Dubai during the Art Dubai Fair. In jewellery, Piaget presented its iconic line Piaget *Possession* featuring Olivia Palermo.

Piaget continued its sponsorship of the Hong Kong Film Awards, the Spirit Awards and the Golden Horses Film Festival in Taiwan. As a result, many actors and actresses around the world chose Piaget creations to dazzle on and off the red carpet worldwide. This year Piaget has also appointed a new International Brand Ambassador, Ryan Reynolds, who will join Jessica Chastain as the expression of Piaget style.

Piaget has enhanced its retail network with the opening of four new boutiques, bringing the network total to 94.

Going forward, Piaget will consolidate its watch business around its unique dual expertise as Master of ultra-thin watches and as Jeweller of watchmakers. In jewellery, it will capitalise on its iconic *Possession* line and High Jewellery with a new thematic collection to be launched in Rome.

Philippe Léopold-Metzger
Chief Executive

Established 1874
37, chemin du Champ-des-Filles, Geneva, Switzerland
Chief Executive Officer Philippe Léopold-Metzger
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 mastery and power.
- The *Excalibur* collection celebrated its first motorsport partnerships with Pirelli & Italdesign.
- Following extensive development in recent years, the Maison now 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 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 investments in research & development, within 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 2016, Roger Dubuis turned its spotlight on women by unveiling five new facets of the *Velvet* collection, conveying a unique blend of sophisticated watchmaking and feminine aesthetic appeal, thereby pursuing its mission as the 'Jeweller of rare artistic masterpieces'. The Maison also presented a stunning world premiere *Black Velvet* model combining what are generally regarded as diametrically opposite materials: carbon set with precious stones.

In February 2017, Roger Dubuis opened its first boutique in Harrods, London and its first boutique in Ginza, Japan.

In 2016, Roger Dubuis presented its Disruptive Materials and Progressive Complications concept in Shanghai before officially launching it during the Salon International de la Haute Horlogerie 2017.

'When Visionary Engineers meet with Incredible Watchmakers' is the motto of 2017, the year of partnerships. Such platforms will be the platform of innovations, new materials and new calibres.

In 2017, Roger Dubuis will celebrate *Excalibur* through events held in key cities in Japan, China, the US and Europe. These events will offer original and powerfully staged experiences that showcase its inherent aesthetic boldness and extravagance, as well as the extreme mechanical sophistication of its standout models.

In the year ahead, Roger Dubuis will complete its assortment for Ladies, especially with the *Excalibur 36 range*. These and other developments contribute to Roger Dubuis' reputation 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 Patrick Addor
www.rogerdubuis.com

VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

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 is currently training 31 apprentices, highlighting the Maison's commitment to nurturing its unique savoir faire.

The Maison on an island in Lake Geneva

- 2016 was dedicated to the *Overseas* collection, with a new generation of calibres and a design evolution.
- Leadership in the realm of artistic crafts was further evidenced.
- 2017 will feature unprecedented complications inspired by astronomy.

Epitomising the very spirit of Haute Horlogerie, Vacheron Constantin continues to design, develop and produce outstanding timepieces that remain faithful to its three brand fundamentals: technical excellence, inspired aesthetics and superlative finishing.

The year was dedicated to the presentation of the new design evolution of the *Overseas* collection, the Maison's traveller's watch. *Overseas* now houses a new generation of self-winding calibres, including a chronograph, thereby strengthening the position of the Maison as a watchmaking Manufacture. This launch was the opportunity for Vacheron Constantin to partner with renowned photographer Steve McCurry and share its passion for travels through an exhibition presented around the globe, from New York to Tokyo. The past year was also the occasion to enrich the offer of the *Harmony* and *Patrimony* collections.

Vacheron Constantin's position as a leader in the realm of artistic crafts was further evidenced with the presentation of the *Métiers d'Art – Elégance Sartoriale* collection that pays tribute to the art of tailoring, as well as with *Métiers d'Art – Villes de lumières* that gives a poetic view of illuminated cities from the sky.

In 2016, despite economic turmoil, the Maison recorded good demand in its boutiques located in China and the Middle East. Vacheron Constantin's distribution network comprises 63 dedicated boutiques in luxury capitals around the world, complemented by further retail partnerships.

The year ahead will praise two traditional themes of watchmaking: striking mechanisms and astronomy, also known as the mother of horology. The astronomy theme will notably inspire unprecedented complications and new launches as part of the permanent collection.

Vacheron Constantin looks to the future with 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*'.

Juan-Carlos Torres
Chief Executive

Established 1755
7 Quai de l'Ile, Geneva, Switzerland
Chief Executive Officer Juan-Carlos Torres
Chief Financial Officer Robert Colautti
www.vacheron-constantin.com

Other Businesses

Key results

Sales (€ m)

2017 1 841

2016 1 803

Operating profit (€ m)

2017 110

2016 -94

Percentage of Group sales

2017

Other Businesses 17%

Richemont's Maisons

ALAÏA PARIS

MONTBLANC

dunhill LONDON

PETER MILLAR

Chloé

PURDEY

LANCEL PARIS

SHANGHAI TANG

ALAÏA
PARIS

A living legend in the fashion world, the 'soul of French fashion', Azzedine Alaïa continues to create exceptional pieces that pay homage to the female form and are recognised globally for their exquisite design and beauty.

7 rue de Moussy, Paris

- The Ready-To-Wear business was launched on Net-A-Porter.
- The *Couture* and *Special Order* business has flourished in the Paris Marais boutique.
- *Eau de Parfum Blanche*, the second in a series of three, was launched.

This year saw the Maison strengthen its presence and further define its distinctive place in the market. The reduction in the number of wholesale doors and the strengthening of existing partnerships was integrated with the continuing development of the Maison's own retail business. Along with the promotion of special *couture* projects, the presence of this unique Maison has been brought forward another year.

The Maison continues to support a strategy of nurturing relationships with key wholesale partners, improving personalised spaces, and taking a long-term view with each partner. This has included an expanded focus on product training and investing in dedicated sales associates in key locations. The debut of the Ready-To-Wear business with Net-A-Porter in January 2017 was an exciting new business opportunity for the Maison and complements the already strong Shoes and Accessories business.

The wholesale division saw eight new Ready-To-Wear corners open, in addition to five Pop-Ups focused in Shoes and Accessories. Accessories continued to flourish across all sectors, particularly in South Korea, a key trendsetter for the Asian region. This product category has experienced strong demand, combined with further corner openings. Accessories are now incorporated, where possible, into a personalisation concept in department stores.

The *Couture* and *Special Order* business has flourished in the Paris Marais boutique this year. Special events in the Parisian boutiques were most appreciated by loyal clients.

In partnership with Shiseido, Alaïa Paris launched its second fragrance, *Eau de Parfum Blanche*, the second in a series of three *Eau de Parfums*. Initial feedback has been very positive as the fragrance also boosted sales of the original fragrance *Alaïa Paris*, which has won a number of prizes.

Instagram has been a great platform for the Maison; followers are climbing steadily. In China the Maison has expanded its presence on local digital platforms as well.

In the year ahead, the Maison will open two concession stores in Galeries Lafayette Paris, one for Ready-To-Wear and one for Accessories, as well as a third one in Osaka, Japan at Hankyu. A new standalone store will open in the autumn at the Dubai Mall, increasing the exposure in the Middle East.

Established 1983
7 rue de Moussy, Paris, France
Creative Director Azzedine Alaïa

dunhill
LONDON

Founded in 1893 in London, Alfred Dunhill has been design-driven with style and purpose for an uncompromising stance on luxury for men. From fine tailoring to bespoke leather goods, the Maison continues its pursuits for the most discerning clients worldwide.

Bourdon House, the London Home of Alfred Dunhill

- A strategic review led to the realignment of the global store network and business operations.
- The *Hampstead* leather goods collection draws from the DNA of Alfred Dunhill design.
- The world store, or e-commerce site, sees a dramatic new look, with features to enhance customer experience and digital engagement.

During the year, the Maison has focused on a full strategic business review to realign its global store network and business operations and to ensure the ideal platform from which to develop and expand. dunhill aims to meet the needs of an ever-evolving customer. Rationalisation of the distribution network and the size of the product offering has resulted in a more focused approach, yielding stronger customer engagement and setting the foundation for the future.

In launching a new collection of leather goods, *The Hampstead*, dunhill continues its quest for innovation in product and design for its customers. This pillar collection comprises holdalls, document cases, satchels and backpacks, and draws from the DNA of Alfred Dunhill designs. It has quickly become an anchor of the business.

Alfred Dunhill is upgrading the retail network. Its new store design will open later this year with an exciting flagship in Dubai and new formats and design for the stores in Beijing, Singapore and Shenzhen. These store renovations will create new and dynamic ways to share with our customers and to show off our latest collections.

In the year ahead, our world store, or e-commerce site, will see a dramatic new look, reflecting our focus on mobile first. Our world store will launch a new look and feel for product presentation online. New enhancements for our customers, from click to collect in store, click to chat and a host of customer enhanced experiences in our stores and online, will begin to roll-out over the coming months. Together, those enhancements will increase digital engagement in a fresh new way and upgrade our customers' entire digital experience.

These changes are supported with a new and agile approach to bringing the best of British Luxury Menswear to market. New capsule collections will be launched in real time, enabling us to be nimble and responsive to the ever-changing environment we and our customers are living in.

The focus on customer experience is at the centre of everything we will do in the coming year, from product to digital projection, to marketing communications and our in-store experience. As the leading British Luxury Menswear Maison, 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 Frédéric Klein
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 epitomise the free spirit and values of femininity, modernity, effortlessness and grace.

Chloé's new flagship, 50 avenue Montaigne, Paris

- New boutique openings strengthen the network.
- The *Faye* bag joins *Chloé Classics*.
- The Chloé girls movement continues to grow.

Chloé continues to build on its momentum by consistently placing the attitude of Chloé girls at the heart of its strategy.

The Chloé girls movement continues to grow on Instagram, inspiring the Maison's highly-engaged digital audience. Regional social media platforms, especially WeChat and Weibo in China, continue to play their role in boosting the Maison's awareness. The *Faye* joins *Chloé Classics* and can be credited with creating desirability, quickly becoming a street style favourite.

On the red carpet, Chloé's couture initiatives continue to highlight the Atelier's meticulous savoir faire skills. Isabelle Huppert chose to wear bespoke Chloé looks both in Cannes and at the BAFTAs.

The launch of the Maison's new e-commerce website shows promising results in its first year. Our first-ever boutique in Italy opened its doors on via della Spiga in Milan, alongside a new flagship on avenue Montaigne in Paris.

Later in the year, Chloé will give a new dimension to its international presence with new boutiques on London's Bond Street, at Marina Bay Sands in Singapore, and in Tokyo's Ginza district opening their doors.

La Baume, the new window of the Maison, is launching in Paris this coming summer. Around the corner from our headquarters, in the heart of the 8th arrondissement, Chloé's new home will house archives, showrooms and artistic initiatives. A constant dialogue between heritage – starting with a permanent space dedicated to founder Gaby Aghion – and modernity, La Baume will reflect the distinct attitudes of Chloé girls past and present.

Chloé has appointed Natacha Ramsay-Levi as Creative Director effective from April 2017 to embody the spirit of Chloé, and to expand the Maison in Gaby Aghion's vision: 'at the intersection of Parisian couture savoir faire and the youthful attitude of the Chloé Girl'.

Chloé continues its commitment to support emerging fashion talent by awarding the Chloé Prize at the annual Festival d'Hyères, and is mentoring the 2016 ANDAM Fashion Awards' winner.

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

LANCEL
PARIS

As an iconic Parisian Maison since 1876, Lancel accessories stand for authentic luxury that combines savoir faire, French chic and imagination.

Lancel flagship boutique at Opéra, Paris

- The Maison's Paris flagship was re-opened following extensive renovation.
- New lines, including *Max* and *Lison*, added to long-standing collections such as *Charlie* and *Le Huit*.
- The 140th anniversary celebrations included a dedicated book and related events.

This year, the Maison has kept on restructuring its distribution in France, following the strategy implemented two years ago. That strategy was supported by the continuous relifting of Lancel's collections through the strong and consistent creative vision of Nicole Stulman. Her meaningful design brings together timelessness and modernity, intelligence and optimism, authenticity and joy. Leathers and precious skins from the finest tanneries in Italy and France have been transformed into collections that reflect the enduring style of the Maison.

On top of the long-lasting success of the *Charlie* bag, designed in 2014, and of the revisited Lancel bucket bag *Le Huit* launched in 2015, the women's universe was enriched in 2016 with two new hit lines: *Max* that has become a Maison best-seller, and *Lison*.

At the same time, Lancel is also reconnecting with its three other historic business universes: Men, with the reshuffling of the collection, emphasising functionalities and beautiful design; Travel, with the launch of *Explorer*, a textile luggage line; and Gifts, through the extension of the textile and small leather goods offer, and custom jewellery.

The Maison's 140th anniversary was celebrated with the release of a dedicated book emphasising the Maison history and several related PR events.

The advertising campaigns portraying women and men conveyed a sense of beauty, a subtle colour palette, and an authentic luxury that tells the story of connections between people and their accessories.

The new store concept, both timeless and modern, has been implemented in more than half of the network and will be further rolled-out. Performance of the renovated stores has strongly improved. In addition to the opening of boutiques in Luxembourg and the Marais, Paris, the year saw the re-opening of the Maison's flagship at Opéra, Paris.

This year the Maison will relaunch its international presence in China and in the Middle East, and will accelerate its innovation plan for its boutique network.

Marianne Romestain
Chief Executive

Established 1876
48-50 rue Ampère, Paris, France
Chief Executive Officer Marianne Romestain
Chief Financial Officer Ekaterina Falkovich
www.lancel.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

- Successful re-edition of the historical *Rouge et Noir* collection.
- Unveiling of a new movie featuring Hugh Jackman celebrating Montblanc Heritage.
- Roll-out of the Maison's new boutique concept, with the upgrade of 40 boutiques.

During the year, the Maison celebrated its 110th anniversary through the launch of new collections inspired by the Maison's heritage as well as multiple events around the world.

In writing instruments, Montblanc re-edited its historical *Rouge et Noir* collection dating from the Maison's early years, featuring a serpent clip coiling around the writing instrument. The highlight of the collection being the *Ultimate Serpent Limited Edition 1,* crafted using rose gold and set with dark blue sapphires and diamonds. In the digital world, Montblanc further consolidated its footprint within the digital writing universe, by unveiling the *Augmented Paper*, a device allowing the instant transfer of handwritten notes to a mobile device.

In the leather goods segment, the Maison introduced the *Urban Spirit* line, crafted to seduce a more urban and contemporary clientele. The collection is a blend of smart functions and Made in Italy savoir faire, designed with clear-cut lines and a marked masculine character. Amongst the multiple functionalities offered by this new line, an RFID-blocking lining will protect the owner against unauthorised tampering of credit card data.

In Fine Watchmaking, Montblanc presented the new *Timewalker* collection as the rebirth of professional sports watches by referring to the unique stopwatch heritage of the manufacture Minerva, which is today the Montblanc manufacture in Villeret. This expertise was also honoured by the Grand Prix de l'Horlogerie de Geneve for the Montblanc *1858 Tachymeter Special Edition* as best chronograph of the year.

In 2016, the Maison celebrated its 110th Anniversary as well as the pioneering spirit of its founders. In a new film, Montblanc's brand ambassador Hugh Jackman presented the Maison's history and main novelties. Montblanc invited luxury lovers to explore Montblanc's universe through digital animations and at launch events with the Maison's ambassadors in New York, Venice, Paris and Shanghai.

The Maison accelerated the roll-out of the NEO retail concept, first introduced in 2015, in strategic cities such as Singapore, New York, London and Beijing, reaching a network of 40 boutiques equipped with the new retail concept. Montblanc also reinforced its e-commerce presence, services and performance.

In the year ahead, the Maison will renew its partnership with UNICEF through comprehensive cross-category launches, and aims, through this co-operation, to improve learning conditions for over five million children. A series of launch events will lead up to a special campaign celebrating the magic of gifting, further strengthening Montblanc as a leading Maison in this field.

Renovation of the retail network will be accelerated, and new boutiques will open in China.

Jérôme Lambert
Chief Executive

Established 1906
Hellgrundweg 100, Hamburg, Germany
Chief Executive Officer Jérôme Lambert
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 Maison's growth strategy was highlighted by the opening of boutiques in Sea Island, Georgia and the greater Dallas and Nashville markets.
- Consumer engagement was enhanced by improvements to the US website and digital marketing campaigns.
- A new distribution centre and systems enable world-class service as the business continues to grow.

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, highlighted by the opening of branded boutiques in Sea Island, Georgia and the greater Dallas and Nashville markets. Growth within the Maison's sartorially focused, European-inspired *Peter Millar* Collection and its innovative, performance apparel *Crown Sport* line, drove demand at existing accounts.

Peter Millar achieved significant 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 greater awareness, as evidenced by record website traffic and sales, and will continue to yield favourable returns as the Maison uses this information to enhance our consumers' experience online and in boutiques.

The Maison moved into a new, state-of-the-art distribution centre in September 2016, and implemented a new Warehouse Management System. The new facility and system improve efficiencies and ensure long-term scalability in distribution processes. The new facility has increased daily shipping capacity and improved the Maison's ability to give wholesale and retail customers a world-class service as the business continues to grow.

In the year ahead, Peter Millar will continue to refine its main product ranges – *Peter Millar* Collection, *Crown*, and *Crown Sport*, including the launch of an *Active* clothing line in Fall 2017. The Maison will continue to invest in the online shopping experience and digital marketing campaigns, as well as assess potential locations for 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, United States
Chief Executive Officer Scott Mahoney
Chief Financial Officer Jon Mark Baucom
www.petermillar.com

PURDEY

James Purdey & Sons, gunmakers to the British Royal family, have been crafting the finest shotguns and rifles for over two centuries since the business was founded by James Purdey in 1814. The precision craftsmanship and exquisite finish of a Purdey gun make Purdey the authentic choice for the passionate shooter.

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

- New technologies have facilitated the development of new models.
- The Purdey Owners Club was launched, strengthening customer relationships.
- The Purdey Awards promote awareness of the synergies between shooting and conservation.

Purdey continues with passion the emphasis on the fine craftsmanship that has been the hallmark of the manufacture of all its products over the past 200 years. Along with developments on new guns and rifles it has extended its clothing selection and introduced a new range of leather goods.

Further investment in the Purdey workshop, in Hammersmith, London, has facilitated a new model of both a Purdey shotgun and a bolt actioned rifle. The designs are based upon our heritage, but with a more contemporary style and are manufactured using Purdey's long respected traditional techniques. These new guns are being rigorously tested and will be launched in the year ahead.

Purdey works continually to reinforce its reputation as an authentic British gunmaker and this has been rewarded through a number of significant purchases from American customers.

Purdey's client programme has placed increased emphasis on developing stronger relationships with customers past and present through the launch of the Purdey Owners Club. This has helped to build significant growth in sales of clothing and accessories online and in-store. Investment in new digital platforms will integrate and improve our front-line and back-room business processes.

Purdey's clothing and accessories will form a key part of the growth strategy. There will be an increased global footprint through selected distributors in the US, Japan, Australasia and South Africa, and through a fuller range of products appealing to the luxury lifestyle consumer. A specific focus will be on the expansion of Purdey's leather range, through creating a timeless luggage collection characterised by traditional hand-made skills and unusual heritage materials. In addition, there is a partnership project with Officine Panerai for a limited edition range of hunting-themed timepieces.

Purdey continues to support the shooting community through the Purdey Awards for Game and Conservation. The Purdey Awards are well established as a driving force in promoting greater awareness of the synergy between shooting and conservation.

The year ahead will continue to build on preserving Purdey's authenticity, artistry and heritage, with team development in the manufacture and the embellishment of the boutique.

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

SHANGHAI TANG

上海灘

As the global curator of modern Chinese chic, Shanghai Tang champions its belief in the beauty and richness of Chinese culture and heritage through fashion, lifestyle products and experiences.

The Shanghai Tang Cathay Mansion, Shanghai

- The leading Chinese Fashion Maison inspired by Chinese Métiers d'Art.
- Modern Chinese chic is felt across all touchpoints.
- Shanghai Tang's online boutique optimises the shopping experience.

This year saw Shanghai Tang establish itself as the leading Chinese Fashion Maison. Collections created in the internal design studio, headed by Raffaele Borielo, have been well received by both the fashion media and our clients. The ability to offer products inspired by the Chinese Métiers d'Art translated in a modern, creative and wearable fashion is a differentiating factor that is unique to the Maison.

Using exclusive fabrics and craftsmanship that have been invented and perfected in China, including silk, Mongolian cashmere, embroidery, and Mandarin collars, the Maison has transitioned to a fully-fledged fashion house with ready-to-wear clothing collections for men, women and an exclusive upper line – the *Imperial Collection*.

Womenswear embraces supple fabrics, crisp lines and freer movement. Airy, innovative construction is key and colours are kept vibrant. The ready-to-wear is accessorised with scarves, custom jewellery and clutches. In menswear, the No Tie Attitude emphasises the vibrant, fresh, approachable yet sophisticated style of the Mandarin collar. This collection offers an alternative wardrobe to the modern man.

The Maison is poised for expansion. Its accessible luxury positioning is in line with the biggest growing target market and its fashion product offer is aligned with the spending patterns of Mainland Chinese consumers.

Whereas the physical boutiques are consolidating and refocusing on fashion, Shanghai Tang's online boutique has optimised the shopping experience to meet customer needs and has become fully mobile. Growth will be driven through an increased digital presence, a new WeChat platform and the development of wholesale platforms.

In the year ahead, Shanghai Tang will continue to curate and elevate its products towards a modern fashion offer. They will be anchored in the Chinese Métiers' d'Art and fuelled by the internal design studio.

Modern Chinese chic will be felt across all the touchpoints: imagery, boutiques and communications.

Retail will become an omni-channel experience, driven by an engaging e-commerce platform linking the physical boutiques and social media platforms.

Raphaël Le Masne de Chermont
Chief Executive

Established 1994
1 Duddell Street, Hong Kong, People's Republic of China
Chief Executive Officer Raphaël Le Masne de Chermont
Chief Financial Officer Annie Paray
www.shanghaitang.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

In a difficult trading environment, Richemont's European distribution entity continued fast product delivery to satisfy final clients' demands. The UK market showed strong performance also through the opening and upgrading of various high-end multi-brand watch boutiques and improved the retail network. Following the successful deployment of our European Client Relation Centre ('CRC') across Western Europe, the CRC expanded its reach further into Eastern Europe.

Our Middle East platform developed a number of operational improvements, notably the preparation of a new Operations Centre in the Dubai Duty Free Zone. Our Joint Venture between Montblanc and Titan, a subsidiary of the Tata Group, expanded its commercial footprint in India. Our Russian platform showed a resilient performance, notably through the good development of its own retail network.

Within the Latin American platform, Mexico showed a strong performance, aided by an enhanced distribution network. Following the integration of the Montblanc business in Brazil, the platform has improved and simplified the operational structure and processes in that country.

In the context of changing regulations in many markets, our compliance programmes have successfully implemented the needed upgrades and changes. Following the implementation of a Corporate Social Responsibility programme, various initiatives have been launched across the markets, thus strengthening the relationship with our local partners and communities.

Asia Pacific

The 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. The South Asia team was significantly upgraded with the arrival of a new Chief Operations Officer and Customer Service Director. A new position of Regional Director for E-Commerce and CRC was created to support the deployment of the Group's digital strategy throughout the region.

We have completed a number of important projects this year, including the smooth deployment of our integrated Enterprise Resource Planning ('ERP') system in South Asia as well as the launch of e-commerce in Hong Kong, Singapore and Australia. The Customer Service platforms were relocated and upgraded in China and Australia, which allowed for the full implementation of the STREAM template. That has led to improvements in the performance and lead times of the service platforms. Other operational achievements included securing the full benefit of the Business Tax to VAT reforms in China and negotiating rental reductions on a number of lease renewals.

Americas

Richemont North America ('RNA') supported the successful re-opening of the Cartier Mansion in New York. The region also completed the renovation of the Customer Service Centre, allowing for further efficiencies and streamlined processes. RNA put in place the necessary infrastructure to allow for the smooth roll-out of the Fashion & Accessories project in North America.

Japan

Richemont Japan saw a notable decrease in inbound tourists, largely due to the strengthening of the yen. At the same time, it reconfirmed resilient local demand, with a successful expansion of the Maisons' retail businesses. The region keeps enhancing service levels for both retail and wholesale customers. Japan's CRC provides highly satisfactory service to Maisons and their clients, including e-commerce sales support. The second phase implementation of the wholesale partners' support tool, known as Booster, is proceeding as planned.

CENTRAL SUPPORT FUNCTIONS

Information Technology

In Information Technology, the Group completed its third successive roll-out in Asia, providing new capabilities to South East Asia, with Singapore being the hub for the entire region. At the same time, complementary e-commerce and CRCs for Hong Kong, Singapore and Australia were introduced. For the re-opening of the Cartier 5th Avenue Mansion in New York, the Group launched a new version of its retail solution with enhanced digital features. In manufacturing, the Group is getting ready to enable Industry 4.0 capabilities by implementing a new manufacturing execution system.

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 2017. 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, 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 major construction projects. This year the main building projects were: in Switzerland at the Campus Genevois de Haute Horlogerie and at Plan-les-Ouates for the Piaget Manufacture and headquarters; in France for Cartier Jewellery; and in Japan and North America for the Cartier Mansions. In addition, RLG Real Estate Advisors provides advisory services on leasing and real estate transactions in London, Cannes and Paris.

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 address Corporate Social Responsibility issues, lead times and to secure critical components.

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 2017	March 2016	% change
Sales	**10 647**	11 076	-4%
Cost of sales	**(3 848)**	(3 958)	
Gross profit	**6 799**	7 118	-4%
Net operating expenses	**(5 035)**	(5 057)	-0%
Operating profit	**1 764**	2 061	-14%
Net financial (costs)/income	**(160)**	2	
Share of post-tax results of equity-accounted investments	**(34)**	(5)	
Profit before taxation	**1 570**	2 058	-24%
Taxation	**(360)**	(370)	-3%
Profit for the year from continuing operations	**1 210**	1 688	-28%
Profit for the year from discontinued operations	**–**	539	
Profit for the year	**1 210**	2 227	-46%
Analysed as follows:			
Attributable to owners of the parent company	**1 210**	2 227	
Attributable to non-controlling interests	**–**	–	
Profit for the year	**1 210**	2 227	-46%
Earnings per share diluted – basis	**€ 2.141**	€ 3.935	-46%

Sales

Sales for the year at both actual and constant exchange rates decreased by 4%. Excluding exceptional inventory buy-backs mostly related to the repurchase of slow moving watches from multi-brand retail partners, sales at constant rates decreased by 2%. Sales of jewellery, leather goods and writing instruments grew whilst watch sales declined, in part due to the buy-back initiative.

At constant exchange rates, sales in the Americas grew by 2%, were in line in Asia Pacific and declined in the other regions. The retail channel enjoyed growth, thereby continuing to outperform the wholesale channel.

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

Gross profit

Gross profit declined by 4% to € 6 799 million in value terms. Gross profit for the year has been influenced by the inventory buy-back programme, which reduced sales by € 278 million. Overall charges to gross profit associated with the buy-back programme and other capacity adjustments amounted to € 253 million. If these two effects were neutralised, the gross margin would have been 64.6%. The gross margin benefited from a favourable currency environment which added 30 basis points compared to the previous year.

Operating profit

Operating profit decreased by 14% with an operating margin of 16.6%. Excluding one-time net charges of respectively € 109 million this year and € 97 million last year, operating profit for the year would have declined by 13%. The one-time net charges primarily comprise € 287 million in inventory buy-backs, distribution channels' optimisation and capacity adjustment measures, which were partly offset by a € 178 million gain on the sale of investment properties.

Including the above-mentioned charges but excluding the gain on the sale of the investment properties, growth in total operating expenses was contained to 3%. Higher depreciation charges and variable rentals as well as the re-opening of the Cartier New York and Ginza flagship stores led to a 3% growth in selling and distribution costs. These charges also partly reflect the net closing of 38 internal stores during the course of the year under review and net opening of 22 during the prior year. Both communication expenses and administration costs grew by 2%.

Profit for the year

Profit for the year decreased by 46% to € 1 210 million. This reduction reflects the non-recurrence of the € 639 million non-cash gain resulting from the merger of The NET-A-PORTER GROUP with YOOX Group in October 2015, the lower operating profit and a reversal in net finance costs. Net finance costs amounted to € 160 million compared to a net finance income of € 2 million in the prior year, principally due to the effects of the Group's currency hedging programme.

Earnings per share on a diluted basis decreased by 46% to € 2.141.

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 2017 would be € 1 079 million (2016: € 1 626 million). Basic HEPS for the year was € 1.913 (2016: € 2.882). Diluted HEPS for the year was € 1.909 (2016: € 2.873). 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 amounted to € 1 896 million, down from € 2 419 million in the prior year. The reduction reflects a lower operating profit and a € 268 million one-time contribution to a defined benefit pension plan for UK-based employees for the purpose of entering into an annuity agreement with a third-party insurance company. The absorption of working capital of € 29 million compares favourably to the prior year (2016: € 171 million).

Net investment in tangible fixed assets amounted to € 521 million. This is predominantly a result of selective investments in the Maisons' network of boutiques, primarily existing stores under renovation, together with investments in the Group's central logistic and IT infrastructure.

The 2016 dividend of CHF 1.70 per share was paid in September 2016 and amounted CHF 959 million or € 878 million (2015: € 854 million).

During the year, the Group acquired some 1.8 million 'A' shares to hedge executive stock options. The cost of these purchases was partly offset by proceeds from the exercise of stock options by executives and other activities linked to the hedging programme, leading to a net cash outflow of € 48 million.

Balance sheet

Inventories at the year-end amounted to € 5 302 million (2016: € 5 345 million), representing 22 months of cost of sales, broadly in line with the prior year.

At 31 March 2017, the Group's net cash position amounted to € 5 791 million (2016: € 5 339 million). It includes proceeds of € 370 million relating to the sale of investment properties in France. 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.

Richemont's balance sheet is strong, with shareholders' equity representing 77% of total equity and liabilities.

Proposed dividend

The Board has proposed a dividend of CHF 1.80 per share.

The dividend will be paid as follows:

	Gross dividend per share	Swiss withholding tax @ 35%	Net payable per share
Dividend	CHF 1.800	CHF 0.630	CHF 1.170

The dividend will be payable following the Annual General Meeting, which is scheduled to take place in Geneva on Wednesday, 13 September 2017.

The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Tuesday, 19 September 2017. Both will trade ex-dividend from Wednesday, 20 September 2017.

The dividend on the Compagnie Financière Richemont SA 'A' shares will be paid on Friday, 22 September 2017. 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, 28 September 2017. 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 12 May 2017 on SENS, the Johannesburg stock exchange news service.

Review of operations

Sales by region

			Movement at:	
in € millions	31 March 2017	31 March 2016	Constant exchange rates*	Actual exchange rates
Europe	**3 068**	3 388	-8%	-9%
Asia Pacific	**3 903**	3 937	–	-1%
Americas	**1 781**	1 745	+2%	+2%
Japan	**1 010**	1 031	-12%	-2%
Middle East and Africa	**885**	975	-10%	-9%
	10 647	11 076	-4%	-4%

* 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 2016.

Europe

Europe accounted for 29% of overall sales. Compared to a 10% increase in the prior year, full year sales declined by 8% at constant exchange rates, having improved from a 17% decline in the first half of the year. France and Switzerland registered the largest contractions while the United Kingdom enjoyed a double-digit growth rate in sales following the EU referendum. All product lines showed positive momentum with the exception of watches.

Asia Pacific

Sales in the Asia Pacific region were broadly in line with last year, at both actual and constant exchange rates, accounting for 37% of Group sales. Mainland China, now the Group's second largest market, Korea and Macau enjoyed strong sales.

Of note is the growth of watches in our internal stores as well as continued growth in jewellery, leather goods and writing instruments in the region. Clothing sales were impacted by 90 internal and franchise net store closures across the region.

Americas

The Americas returned to growth at constant exchange rates, driven by good sales in jewellery, leather goods and clothing. Sales were also supported by the re-opening of the Cartier flagship in New York last September. The region's contribution to Group sales increased slightly to 17%.

Japan

The reopening of the Cartier flagship store in Ginza partially mitigated mixed exchange rate effects on tourist spending and the high comparative sales growth figures of 20% reported in the prior year. At constant exchange rates sales decreased by 12%, with all product categories being impacted. At actual exchange rates, Japan registered a 2% sales decline.

Middle East and Africa

Sales in the Middle East and Africa declined by 10% at constant exchange rates, with negative currency movements weighing both on tourist and local spending.

Sales by distribution channel

			Movement at:	
in € millions	31 March 2017	31 March 2016	Constant exchange rates*	Actual exchange rates
Retail	**6 389**	6 142	+4%	+4%
Wholesale	**4 258**	4 934	-14%	-14%
	10 647	11 076	-4%	-4%

* 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 2016.

Retail

For the full year the retail channel generated a 4% sales increase, after a decline in the first half of the year. Strong retail sales in mainland China, Korea, the United Kingdom and the US compensated for declines in Hong Kong and France. Retail sales were impacted by the net closing of 38 internal boutiques, leading to a total network of 1 117 internal stores.

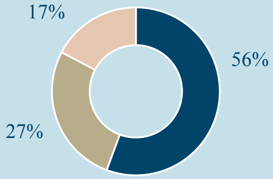
The contribution of retail sales, through the Maisons' directly operated boutiques and online stores, has increased from 55% of Group sales, a year ago, to 60%.

Wholesale

The Group's wholesale business, including sales to franchise partners, reported lower sales for the year. Sales were partially impacted by inventory buy-backs, the majority of which occurred in the first half of the year.

All regions and most countries declined with the notable exception of the United Kingdom and Korea.

Sales and operating result by segment



Jewellery Maisons

in € millions	31 March 2017	31 March 2016	Change
Sales	**5 927**	6 048	-2%
Operating result	**1 682**	1 892	-11%
Operating margin	**28.4%**	31.3%	-290 bps

Good growth in jewellery sales at Cartier and Van Cleef & Arpels partly offset weakness in watch sales, thereby limiting the Jewellery Maisons' sales decline to 2%. Excluding the exceptional buy-backs, sales would have increased slightly.

The operating result was 11% lower than in the prior period, pressured by lower sales and the € 151 million one-time charges associated with the exceptional inventory buy-backs and capacity adjustments.

Sales and operating result by segment continued

Specialist Watchmakers

in € millions	31 March 2017	31 March 2016	Change
Sales	**2 879**	3 225	-11%
Operating result	**226**	520	-57%
Operating margin	**7.8%**	16.1%	-830 bps

The Specialist Watchmakers' sales decreased by 11%, reflecting a difficult environment for watches in the wholesale channel.

The lower demand for fine watches together with the adverse impact of buy-backs and production capacity adjustments led to a 57% reduction in the segment's operating result. One-time charges in the current year amounted to € 72 million (2016: € 24 million). Consequently, the operating margin for the period declined to 8%.

Other

in € millions	31 March 2017	31 March 2016	Change
Sales	**1 841**	1 803	+2%
Operating result	**110**	(94)	n/a
Operating margin	**6.0%**	-5.2%	n/a

'Other' includes Montblanc, the Group's Fashion & Accessories businesses and its watch component manufacturing activities. The segment was impacted by 105 net internal and franchise store closures. The 2% sales growth was driven by the continued positive performances at Montblanc, Chloé and Peter Millar.

The operating result included one-time charges of € 64 million (2016: € 33 million) stemming from the optimisation of certain retail and wholesale locations that were more than offset by a gain of € 178 million relating to the disposal of investment properties. As a result, the operating contribution rose to € 110 million. Excluding one-time items in both years, operating losses would have been € 4 million in the current year and € 61 million in the prior year.

Corporate costs

in € millions	31 March 2017	31 March 2016	Change
Corporate costs	**(254)**	(257)	-1%
Central support services	**(234)**	(239)	-2%
Other operating income/(expense), net	**(20)**	(18)	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.

Johann Rupert
Chairman

Gary Saage
Chief Financial Officer

Corporate social responsibility

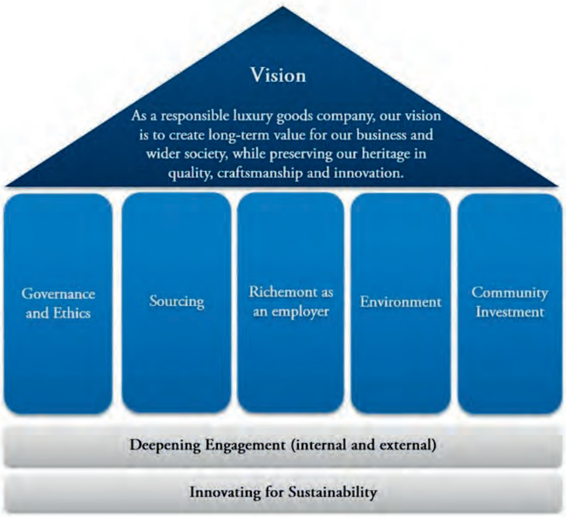
Richemont has a long-standing commitment to doing business responsibly. Building trust in our Maisons and our operating companies lies at the heart of the way we work. Since 2006, Richemont has externally reported its Corporate Social Responsibility ('CSR') progress each year. Internally, Richemont has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

CSR Plan 2014-2017

Richemont's first three-year CSR Plan was validated by the Board in May 2014. The Plan consolidates current CSR activity, providing structure, setting goals and facilitating communication within the Group in line with its financial goals.

The Plan was developed by the Group's CSR Committee and participants from Group functions and Maisons. The Plan prioritised issues and grouped them into five areas of focus, called pillars. Each pillar was assigned an owner at Group level. For each pillar there are defined commitments and goals, which take account of peers among Switzerland's leading public companies.

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 which 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.

Sourcing

Richemont's full supply chain often lies beyond our direct control. We therefore seek to influence the behaviour of our suppliers through our latest 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 50 and 150 suppliers are audited as part of the regular relationship with our Maisons.

Richemont as an employer

Richemont directly employs some 28 000 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 and 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 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 established long-term targets to reduce its overall carbon intensity and the environmental impact of its packaging materials 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. Art and cultural programmes include the Cartier Charitable Foundation, the Fondation Cartier pour l'art contemporain, the Fondazione Cologni dei Mestieri d'Arte and the Fondation de la Haute Horlogerie. Globally, Richemont supports the Peace Parks Foundation and Laureus Sport for Good Foundation.

2017 corporate social responsibility report

Richemont's corporate social responsibility report, which applies GR1-GR4, will be available from mid-July 2017 at www.richemont.com/corporate-social-responsibility

2020 CSR Plan

Richemont's current three-year CSR Plan will come to an end in 2017. Following its launch in 2014, the Plan has provided a robust framework to focus efforts and a structured approach to CSR planning and reporting.

Building on that progress, Richemont is developing a 2020 CSR Plan. The new Plan will reflect Richemont's latest materiality analysis and business priorities, and will enable the business to meet evolving stakeholder expectations.

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 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 1 000 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 jewellery materials produced, processed and traded through the jewellery supply chain. 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 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

Two decades of restoring ecological integrity and creating hope.

The prospect of unprecedented ecological disaster can no longer be denied nor dismissed as alarmist. The destruction of our ecosystems, source of our air, water, food and medicine, threatens life as we know it. But hope remains. Courageous in their scale, conservation approaches like 'rewilding' – creating and connecting conservation areas, and protecting or reintroducing keystone species – are proving effective in restoring balance and biodiversity within protected ecosystems.

For 20 years, Peace Parks Foundation has been working in Africa to re-establish ecological integrity, linking core conservation areas to conserve biodiversity, support socioeconomic development and promote regional peace and stability. Southern Africa's peace parks today incorporate over half the region's declared conservation estate. At over a million square kilometres, they rival the combined landmass of France and Spain. The political will of the region's leaders, the dedication of the public and private sectors, and the support of our donors worldwide are to thank for this extraordinary achievement.

Under the chairmanship of Johann Rupert, Peace Parks Foundation facilitates the development of transfrontier conservation areas ('TFCAs'), managed in harmony with their surrounding communities to create sustainable local, national and regional benefit flows.

Founding patrons: Nelson Mandela, HRH Prince Bernhard of the Netherlands and Dr Anton Rupert

Over 1 600 animals have found a new home in Mozambique's Maputo Special Reserve

Tourism is one of the fastest growing industries in the world, and with Africa's breathtaking landscapes and enigmatic wildlife – and her deep social need – its importance as a sustainable socioeconomic driver cannot be overstated. To develop TFCAs as tourist destinations, over 10 000 wild animals have been reintroduced to areas where they had been depleted.

The Foundation supports the training of conservation managers and field guides at the Southern African Wildlife College, hospitality professionals at the SA College for Tourism and wildlife trackers at its Tracker Academy. Over 16 000 students have been trained at the colleges since inception.

Other support programmes include combatting wildlife crime, through a multi-pronged approach that intervenes along the entire supply chain, and community development, which addresses social needs that may threaten the integrity of TFCAs, such as the impact of population pressure on the natural resource base.

Reconnecting people and ecology, and restoring the integrity of this relationship, is quite simply a matter of our survival. We invite you to side with hope and get involved.

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, co-founded by Richemont and German auto manufacturer Daimler, in response to the challenge set by Nelson Mandela at the inaugural Laureus World Sports Awards in 2000, continues to break new ground as it works to achieve its vision – using the power of sport to end violence, discrimination and disadvantage worldwide.

President Mandela memorably declared: "Sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else does. It speaks to youth in a language they understand. Sport can create hope where once there was only despair."

Laureus continues to work to prove those words. In 2016, that included leveraging the support provided by Richemont and Daimler to raise funds to work in numerous new locations for the first time – including in Myanmar, Grenada, Mexico and in refugee and resettlement camps in Africa.

The Laureus-supported 'Waves for Change' programme uses surfing to help children from unstable communities who are struggling with mental health and post-trauma issues

Laureus Sport for Good's growth, though, is not measured in new countries or new funding, but in the impact of the programmes it supports on young people's lives. Through the work of 'Kick4Life' in Lesotho, for example, 25 000 children have been tested for HIV, with more than 1 000 testing positive and referred for ongoing medical treatment, counselling and support at their local clinic. Ninety-five percent of youth that participate in 'Bola Pra Frente' in Brazil say the project is the main reason they have continued their education full-time. And in South Africa, 'Waves for Change' has reached more than 1 000 children with its award-winning surf therapy programme, providing counselling and support to youth suffering from serious post-trauma issues in communities where the ratio of youth to social workers is more than 30 000:1.

The impact of 'Waves for Change' should be one of particular pride to Richemont and Laureus Sport for Good's other supporters, since Laureus was the first ever backer of the project. Handed the Sport for Good Award at the Laureus World Sports Awards in February by Princess Charlene of Monaco, the project's Founder, Tim Conibear, said: "I want to say a huge thank you. The support Laureus has given us over the years has been invaluable, enabling us to develop the Waves for Change programme and establish surf therapy as a legitimate way to help children from unstable communities struggling with mental health issues. Having this recognition from Laureus reaffirms that what we are doing is working and inspires us to keep growing our efforts across the world."

Laureus Sport for Good is grateful for the support it receives from Richemont, IWC Schaffhausen and all their employees who support us throughout the year.

For more information, go to www.laureus.com

Board of Directors


1.


2.


3.


4.

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 SA, 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. Yves-André Istel *
Deputy Chairman
American, born 1936

Mr Istel was appointed to the Board in 1990. He became its Deputy Chairman in 2010. A Non-Executive Director, he is a member of the Audit, Compensation and Nominations Committees.

Mr Istel graduated from Princeton University. He has had an extensive career in investment banking, including Managing Director and member of the Board of Lehman Brothers; Co-Chairman of First Boston International; Chairman of Wasserstein Perella & Co International; and, from 1993 to 2002, Vice Chairman of Rothschild Inc.

Mr Istel is currently Senior Advisor to Rothschild Global Financial Advisory; a Non-Executive Director of Tiedemann Wealth Board of Management; Chair of HealthpointCapital Business Advisory Board; and Member of HealthpointCapital Board of Managers.

Mr Istel is Chairman of the Center for French Civilisation and Culture and the Fondation Saint-John Perse. He is Honorary Chairman of the European Institute. He is a member of the Economic Club of New York and the Bretton Woods Committee.

3. Josua Malherbe
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.

Mr Malherbe 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.

4. Richard Lepeu *
Chief Executive Officer, to 31 March 2017
Swiss, born 1952

Mr Lepeu was appointed to the Board in 2004. He is a member of the Senior Executive Committee.

Mr Lepeu is a graduate of the Institut d'Etudes Politiques de Paris and the Université de Sciences Economiques de Paris X. He worked in international corporate finance before joining Cartier in 1979 as assistant to the President. He served as Chief Executive Officer of Cartier from 1995 until 2001. He served as Chief Operating Officer of Richemont from 2001 until 2004 and as Group Finance Director from 2004 until 2010. From 2010 to 2012 he served as Deputy Chief Executive Officer to Mr Rupert. From April 2013, Mr Lepeu and Mr Fornas served as Co-Chief Executive Officers. From April 2016, Mr Lepeu served as Chief Executive Officer until his retirement on 31 March 2017. He will continue to serve as a Non-Executive Director until the 2017 annual general meeting.

Mr Lepeu will continue to serve as a Non-Executive Director of YOOX NET-A-PORTER GROUP.

5. Gary Saage
Chief Financial Officer
American, born 1960

Mr Saage was appointed to the Board in 2010. He is a member of the Senior Executive Committee.

Mr Saage is a graduate of Fairleigh Dickinson University, USA 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. He serves as Chairman of Richemont North America and as a Director of Peter Millar LLC.

Mr Saage will retire from his current role as Chief Financial Officer on 31 July 2017. Thereafter, he will serve as a Non-Executive Director.

6. Jean-Blaise Eckert
Swiss, born 1963

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

Maître Eckert graduated from Neuchâtel University, Switzerland, and holds an MBA from Berkeley, University of California, USA.

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.

7. Bernard Fornas *
French, born 1947

Mr Fornas was appointed to the Board in September 2013. He served as a member of the Senior Executive Committee until March 2016 and as a Non-Executive Director from 1 April 2016.

Mr Fornas graduated from Lyon Business School and holds an MBA from the Kellogg School of Management, Northwestern University. Prior to joining Cartier, he worked with a number of companies in the consumer products sector, including Procter & Gamble and the International Gold Corporation, where he was Jewellery Division Manager. He then moved to Guerlain, where he was International Marketing Director and Advisor to the President from 1984 to 1993.

Mr Fornas joined Cartier as International Marketing Director in 1994. He became Chief Executive of Baume & Mercier in 2001 and was appointed Chief Executive of Cartier in 2002. Mr Fornas and Mr Lepeu were appointed Co-Chief Executive Officers of the Group with effect from April 2013.

Mr Fornas also serves as a Non-Executive Director of Holding Benjamin et Edmond de Rothschild, Pregny S.A. and as a Non-Executive Director and Senior Advisor of Banque Pâris Bertrand Sturdza.

8. Ruggero Magnoni
Italian, born 1951

Mr Magnoni was elected 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.

Mr Magnoni graduated from Bocconi University, Italy and holds an MBA from Columbia University, USA.

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. ('Reinet') up to September 2009 and has indirect interests in certain investments held by Reinet.

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

Board of Directors continued

9. Jeff Moss
American, born 1970

Mr Moss was appointed to the Board in September 2016. A Non-Executive Director, he 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 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; and a member of the Georgetown University School of Law Cybersecurity Advisory Committee.

10. Simon Murray *
British, born 1940

Mr Murray became a Non-Executive Director in 2003 and is a member of the Nominations Committee.

He was educated at Bedford School in England and attended SEP Stanford Business School in the United States. He began his business career at Jardine Matheson and in 1980 he formed Davenham, an advisory company for capital-intensive engineering projects. In 1984 he became the Group Managing Director of Hutchison Whampoa. He joined Deutsche Bank Group as Executive Chairman Asia Pacific in 1994 and in 1998 he founded Simon Murray & Associates.

Mr Murray is currently: Non-executive Chairman of GEMS Limited; and Independent Non-Executive Director of Cheung Kong Property (Holdings) Limited (to 11 May 2017); Orient Overseas (International) Limited; Wing Tai Properties Limited; Spring Asset Management Ltd. (manager of the listed entity Spring REIT); and IRC Limited. He is also a Non-Executive Director of Greenheart Group Limited; and China LNG Group Ltd.

11. Guillaume Pictet
Swiss, born 1950

Mr Pictet was appointed to the Board in 2010. A Non-Executive Director, he is a member of the Nominations Committee.

Mr Pictet 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 EIC Partner AG and of Sécheron SA.

12. Norbert Platt *
German, born 1947

Mr Platt was appointed to the Board in 2005. A Non-Executive Director, he is a member of the Nominations Committee and active in the creativity of the Group's Maisons.

He graduated with a BSc in precision mechanical engineering from the University of Frankfurt/Main and has studied business and management topics at Harvard Business School and at INSEAD.

He worked for a number of years in the field of precision instruments, working with Rollei in Germany and internationally, becoming CEO of Rollei Singapore and Managing Director of Rollei Fototechnic in Germany.

He joined Montblanc in 1987 and was President and CEO of Montblanc International. Mr Platt served on the Group Management Committee from 2000 and served as Group Chief Executive Officer from 2004 until 2010.

Mr Platt currently serves as a Non-Executive Director of Esprit Holdings Limited.

13. Alan Quasha
American, born 1949

Mr Quasha was elected 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. ('Reinet') 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; Carret Asset Management Group LLC; and HKN Inc. He is also Chairman of the American Brain Trauma Foundation.

14. Maria Ramos
South African, born 1959

Ms Ramos was appointed to the Board in 2011. A Non-Executive Director, she is a member of the Nominations Committee.

Ms Ramos 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 a member of the Executive Committee of the World Economic Forum's International Business Council.

15. Lord Renwick of Clifton *
British, born 1937

Lord Renwick was appointed to the Board in 1995. A Non-Executive Director, he serves as Independent Lead Director of the Board, Chairman of the Compensation Committee and is a member of the Audit, the Strategic Security and the Nominations Committees.

He is a graduate of Cambridge University and served in the British diplomatic service, rising to become Ambassador to South Africa from 1987 to 1991 and Ambassador to the United States from 1991 to 1995.

Lord Renwick was formerly Vice Chairman, Investment Banking of JPMorgan Europe and of JPMorgan Cazenove and a Director of British Airways PLC, BHP Billiton PLC and SABMiller PLC.

He is currently a Director of Stonehage Fleming Family and Partners Ltd; and Senior Advisor to Appian Capital.

16. Jan Rupert
South African, born 1955

Mr Jan Rupert was appointed to the Board in 2006. He serves as a Non-Executive Director and a member of the Nominations Committee.

From 1999, when he joined the Group, until 2012, he was Manufacturing Director with overall responsibility for the Group's manufacturing strategy.

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.

Board of Directors continued

17. Juergen Schrempp *
German, born 1944

Prof Schrempp was appointed to the Board in 2003. A Non-Executive Director, he is Chairman of the Strategic Security Committee and a member of the Nominations Committee. He became a partner of Compagnie Financière Rupert in 2006.

Prof Schrempp holds a professorship of the Federal State of Baden-Wurttemberg and honorary doctorates from the University of Graz and the University of Stellenbosch.

Prof Schrempp is former Chairman of the Board of Management of DaimlerChrysler AG and of Daimler Benz Aerospace AG. He is also a former Director of Allianz AG, the New York Stock Exchange, Vodafone Group plc, South African Airways Limited, Non-Executive Chairman of Mercedes-Benz of South Africa, and Chairman of Iron Mineral Beneficiation Services Limited and Independent Lead Director of SASOL.

He is the Executive Chairman of Katleho Capital GmbH and a shareholder and Director of Merkur Bank KGaA, Munich. He is also a member of the International Investment Council of the President of the Republic of Togo.

Prof Schrempp is Chairman Emeritus of the Global Business Coalition on HIV/AIDS. Amongst other distinctions, he holds South Africa's highest civilian award, the Order of Good Hope.

For his contribution to the development of the European Aerospace Industry he gained the distinction of Commander of the French Legion of Honour.

18. Cyrille Vigneron
Chief Executive Officer of Cartier
French, born 1961

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

Mr Vigneron has served as Chief Executive Officer of Cartier since 1 January 2016. Prior to that 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.

19. The Duke of Wellington *
British, born 1945

The Duke has served as a Non-Executive Director since 2000. He is a member of the Compensation and Nominations Committees.

He holds an MA degree from Oxford University. He has broad experience in banking and finance, serving as Chairman of Sun Life and Provincial Holdings and the Framlington Group and as a Director of Sanofi. He is a Director of RIT Capital Partners. He was Chairman of the Council of King's College, London until 2016. He was a member of the European Parliament from 1979 to 1989.

In 2015 he was elected to the House of Lords as a representative Hereditary Peer.

From 1990 to 1993 he was Chairman of Dunhill Holdings and from 1993 to 1998 Deputy Chairman of Vendôme Luxury Group, both former subsidiaries of the Group. Since 1998 he has served as Non-Executive Chairman of Richemont Holdings (UK) Limited, the holding company for the Group's UK interests.

New members of the Board

Subject to shareholder approval at the annual general meeting in September 2017, Mr Nikesh Arora, Mr Nicolas Bos, Mr Clay Brendish, Mr Burkhart Grund, Dr Keyu Jin, Mr Georges Kern, Mr Jérôme Lambert, Dr Vesna Nevistic and Mr Anton Rupert will become members of the Board. Their biographical details may be found on page 45 of this report.

* not standing for re-election at the 2017 annual general meeting.

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: www.richemont.com/about-richemont/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 our governance structure reinforces our ability to deliver the Group's strategy of growing value for shareholders over the long term through the sustained growth of our Maisons.

The sections that follow provide information on the Group's structure, general shareholder information and details regarding the Board and Management 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 39 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 an equity-accounted interest in one listed company: The YOOX NET-A-PORTER GROUP ('YNAP'). 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. Further details regarding Richemont's shareholding in YNAP, including market capitalisation, may be found in note 10. Non-listed companies belonging to the Group are identified in the business review from pages 4 to 35.

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. Prof Juergen Schrempp and Mr Ruggero Magnoni, both non-executive directors of the Company, 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 2017.

As at 31 March 2017, there were no other significant shareholders in the Company, i.e. with at least 3% of the voting rights.

Cross-shareholdings

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

Corporate governance continued

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 years ended 31 March 2017, there were no changes to the Company’s capital structure.

At 31 March 2017, Richemont’s market capitalisation, based on a closing price of CHF 79.20 per share and a total of 522 000 000 ‘A’ shares in issue, was CHF 41 342 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 45 476 million.

Over the preceding year, the highest closing price of the ‘A’ share was CHF 79.20 on 31 March 2017, and the lowest closing price of the ‘A’ share was CHF 53.50 on 27 June 2016.

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 2017, an ordinary dividend of CHF 1.80 per ‘A’ share and CHF 0.18 per ‘B’ share has been proposed for approval by the shareholders in September 2017. During the year under review, the shareholders approved a dividend of CHF 1.70 per ‘A’ share and CHF 0.17 per ‘B’ share.

Share buy-back programmes

Over the course of the preceding 17-year period ended 31 March 2016, the Group had repurchased a total of 34 552 934 former ‘A’ units and 36 721 876 ‘A’ shares through the market to meet obligations under stock option plans for executives. During the year under review, the Group repurchased a further 1 760 000 ‘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 2017 was 9 362 700 ‘A’ shares.

On 15 May 2014, Richemont announced a programme envisaging the buy-back of 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%. 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 51 and in note 36 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 2017, will be held on 13 September 2017 at the Four Seasons Hotel des Bergues, Geneva. The provisional agenda for that meeting is set out on page 135 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 SA's interest in the 'A' shares that it holds is therefore non-beneficial. At 31 March 2017, Richemont Securities held 82 499 345 '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. Seven nationalities are currently represented on the Board, which was composed of 19 members at 31 March 2017. 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. In many cases they have served on the Board for a considerable period of time or have special expertise in relation to the luxury goods businesses. As a result, they have an in-depth understanding of the Group. The Board considers that this 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 38 to 42.

In November 2016, Richemont announced that a number of long-serving non-executive members of the Board, together with former senior executives, would not stand for re-election at the AGM in September 2017. They are: 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.

The Board has proposed nine new members for election at the September 2017 AGM: Mr Nikesh Arora, Mr Nicolas Bos, Mr Clay Brendish, Mr Burkhart Grund, Dr Keyu Jin, Mr Georges Kern, Mr Jérôme Lambert, Dr Vesna Nevistic and Mr Anton Rupert.

If elected, Mr Arora, Mr Brendish, Dr Jin, Dr Nevistic and Mr Anton Rupert will serve as Non-Executive Directors, whereas, Messrs Bos, Grund, Kern and Lambert will serve as Executive Directors.

Mr Arora holds degrees from the Indian Institute of Technology, Boston College and Northeastern University as well as a being a Chartered Financial Analyst. In the US, he has held a number of

Corporate governance continued

senior positions in the finance and technology sectors. He was Senior Vice President and Chief Business Officer of Google until 2014 and was most recently Vice-Chairman of Softbank, the global telecommunications and technology company, and President and CEO of its internet and media operations.

Mr Bos joined Richemont in 1992, initially working with the Fondation Cartier pour l'art contemporain in Paris. In 2000, he joined Van Cleef & Arpels as High Jewellery Creative and Marketing Director. In 2009, while remaining Creative Director, he became Vice President and in 2010 was also appointed President of Van Cleef & Arpels, Americas. In January 2013, Mr Bos became global President and CEO of Van Cleef & Arpels and a member of the Group Management Committee.

Mr Brendish, is a graduate of Imperial College, London and 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 has served as an advisor to Richemont's Strategic Security Committee.

Mr Grund 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 then 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.

Dr Jin is an Associate Professor of Economics at the London School of Economics. From Beijing, she holds a BA, MA and a PhD from Harvard University. Her specific areas of expertise are international macroeconomics, international finance and the Chinese economy.

Mr Kern is a graduate in Business Administration from the University of St Gallen. Prior to joining Richemont in 2000, he held positions at Kraft Jacobs Suchard and TAG Heuer. He was Executive Director, Distribution of Richemont's Specialist Watchmakers, prior to becoming CEO of IWC Schaffhausen, a position he held from 2002 to March 2017. In 2009, he was appointed Chairman of Baume & Mercier and of Roger Dubuis, where he also served as interim Chief Executive. He has been a member of the Group Management Committee since 2012. Mr Kern was a member of the World Economic Forum's Young Global Leaders from 2005 to 2010 and in 2011 was a Founding Curator of its Global Shapers Community in Zurich. Mr Kern serves as a board member of the Swiss-American Chamber of Commerce, the Laureus Foundation and the Fondation de la Haute Horlogerie. From 1 April 2017, Mr Kern serves as Head of Watchmaking, Marketing and Digital.

Mr Lambert graduated from ESG Management School, Paris and completed post-graduate studies at the Swiss Graduate School of Public Administration ('IDHEAP'). 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 Manufacture'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 this year. In addition, Mr Lambert has served as Chairman of A. Lange & Söhne since 2009 and served as its Chief Executive for two years. He has been a member of the Group Management Committee since 2012. From 1 April 2017, Mr Lambert serves as Head of Operations responsible for central and regional services and all Maisons other than Jewellery and Specialist Watchmakers.

Dr Nevistic holds Swiss and Croatian citizenship and has a PhD in Electrical Engineering from the Swiss Federal Institute of Technology. She has gained extensive experience in international consulting and finance, having been a partner at McKinsey and Goldman Sachs. From 2009 to 2012 Dr Nevistic was a Group Managing Director at UBS and part of the team which restructured that bank's operations following the financial crisis.

Mr Anton Rupert brings 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.

As regards the executive directors of the Board, Mr Richard Lepeu served as Chief Executive Officer of the Group during the year under review. The other executive directors were Mr Gary Saage, Chief Financial Officer and Mr Cyrille Vigneron, Chief Executive Officer, 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 five 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, the Chief Executive Officer and Chief Financial 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.

Board Evaluation

The Board and each of its Committees conduct an annual assessment of their own role and effectiveness. This provides our 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 year, 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. They are all non-executive directors and, without exception, indisputably independent in character and judgement. The Chief Financial Officer attends all meetings, as do the Head of Internal Audit and representatives of PricewaterhouseCoopers SA, the Group's external auditor.

As Mr Istel and Lord Renwick of Clifton are not standing for re-election at the September 2017 AGM, the Board has nominated two members to the Audit Committee. The nominees are Mr Clay Brendish and Mr Guillaume Pictet.

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 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

The Compensation Committee is composed of three non-executive directors: Lord Renwick of Clifton (Chairman); Mr Yves-André Istel; and the Duke of Wellington. They 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 four occasions.

As Lord Renwick of Clifton, Mr Istel and the Duke of Wellington are not standing for re-election at the September 2017 AGM, the Board has nominated three members to the Compensation Committee. Subject to shareholder approval, the nominees are Mr Clay Brendish (Chairman), Mr Guillaume Pictet and Ms Maria Ramos.

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.

Corporate governance continued

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 four non-executive directors: Prof Juergen Schrempp (Chairman); Mr Josua Malherbe; Mr Jeff Moss (from September 2016); and Lord Renwick of Clifton. 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 three times during the year under review.

As Prof Schrempp and Lord Renwick of Clifton are not standing for re-election at the September 2017 AGM, the Board has nominated three members to the Strategic Security Committee. The nominees are Mr Clay Brendish (Chairman), Mr Anton Rupert and Mr Jan Rupert.

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.

Attendance

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

	Board	Audit Committee	Compensation Committee	Nominations Committee	Strategic Security Committee
Number of meetings	5	3	4	5	3
Johann Rupert	5	–	–	5	–
Yves-André Istel	5	3	4	5	–
Josua Malherbe	5	3	–	5	3
Jean-Blaise Eckert	4	2	–	4	–
Bernard Fornas	5	–	–	5	–
Ruggero Magnoni	5	3	–	5	–
Jeff Moss *	3	–	–	3	2
Simon Murray	4	–	–	4	–
Alain Dominique Perrin **	2	–	–	2	–
Guillaume Pictet	5	–	–	5	–
Norbert Platt	5	–	–	5	–
Alan Quasha	5	–	–	5	–
Maria Ramos	5	–	–	5	–
Lord Renwick	5	3	4	5	3
Jan Rupert	5	–	–	5	–
Juergen Schrempp	5	–	–	5	3
The Duke of Wellington	5	–	4	5	–

Activities outside the Group

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

* Mr Moss served from September 2016 only.

** Mr Perrin served from April to September 2016 only.

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 the Chief Executive Officer, the Chief Financial Officer and, from September 2016 the Chief Executive Officer of Cartier. Their biographical details and other activities may be found on pages 38, 39 and 42. 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 five 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

Richemont's Group Management Committee reports to the Senior Executive Committee. During the year it comprised the Senior Executives, the Chief Executive Officer ('CEO') of certain Maisons and the head of certain Group functions.

Maison Chief Executive Officers:
Nicolas Bos, CEO of Van Cleef & Arpels;
Georges Kern, CEO of IWC Schaffhausen;
Jérôme Lambert, CEO of Montblanc;
Philippe Léopold-Metzger, CEO of Piaget;
Daniel Riedo, CEO of Jaeger-LeCoultre to February 2017;

Group function heads:
Hans-Peter Bichelmeier, Group Operations Director;
Cédric Bossert, Group General Counsel;
Burkhart Grund, Group Deputy CFO;
Thomas Lindemann, Group Human Resources Director
Frank Vivier, Chief Transformation Officer.

Other committees have been 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 51.

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 2016 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.

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 € 8.0 million. Total fees and expenses paid or accrued as payable in respect of the financial year to PricewaterhouseCoopers for non-audit services amounted to € 1.4 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 10 May 2017 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. 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 www.richemont.com/press-centre/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

Lord Renwick of Clifton, Chairman

Dear Shareholders,

We are pleased to present to you our Compensation Report for the year ended 31 March 2017.

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 for competitors and other major companies listed on SIX Swiss Exchange, whilst reflecting the performance of both the Group and individuals during the period. The committee completed the process of adjusting base salaries to the new and more challenging economic environment. In the year under review, variable compensation paid to members of the Senior Executive Committee was further reduced by 31%, with fixed compensation 21% lower.

The retirement of the CEO, Richard Lepeu, on 31 March 2017, together with the departure on 31 July 2017 of the CFO Gary Saage, will lead to significant changes in senior management, as we take the opportunity to restructure the leadership of the Group. Remuneration arrangements for those executives who joined the Senior Executive Committee on 1 April 2017 have been reviewed to ensure that they comply with the compensation principles which have been set by this Committee. The slight increase in the maximum fixed remuneration from CHF 9.85 million to CHF 11.0 million to be approved by the shareholders at the coming AGM is entirely due to the *increase in the number of members* of the Senior Executive Committee from three to six. Base salaries in all cases are lower for the new members of the senior executive team than those paid in the past.

At the AGM in September 2016, 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 2016 AGM to the 2017 AGM; the maximum amount of fixed Senior Executive Committee compensation for the 2018 financial year and the variable compensation of the Senior Executive Committee for the 2016 financial year. The actual compensation paid to the Board for the period 2015 AGM to 2016 AGM was in line with amounts previously approved by the shareholders.

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 57 to 60 has been audited by the Group's auditors, PricewaterhouseCoopers.

In the coming year, the Compensation Committee will continue to review our compensation arrangements on a periodic basis to ensure they are in line with evolving regulatory changes and best practice developments. We look forward to receiving comments from our investors.

Lord Renwick of Clifton
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. In the year under review the Committee held an additional meeting in February to review and approve the compensation of new members of the Senior Executive Committee.

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 the Chief Executive Officer and the Group Human Resources Director 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.

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 Group last conducted a comparative group benchmark in 2014.

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. The comparative group detailed on page 55 were included in the benchmark group. 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 50.

4. Compensation of the Board of Directors

Chairman

The Chairman of the Board of Directors, Mr Johann Rupert, receives an annual compensation of € 3.0 million (equivalent to CHF 3.2 million at the average exchange rate for the financial year 2017), split between salary and pension contributions. During the period under review no variable compensation was awarded. The level of compensation is reviewed annually by the Compensation Committee and is considered commensurate to the role.

	Financial year to	
	31 March 2017 CHF	31 March 2016 CHF
Fixed annual retainer	**1 624 425**	1 611 307
Pension contributions	**1 624 425**	1 611 444
Total	**3 248 850**	3 222 751

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.

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

The Chairman of the Strategic Security Committee receives an annual fee of CHF 200 000, reflecting the time and effort the Chairman has had to devote to ensuring that Richemont is fully equipped to meet the increasingly serious challenge posed by cyber-crime.

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 plan. 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

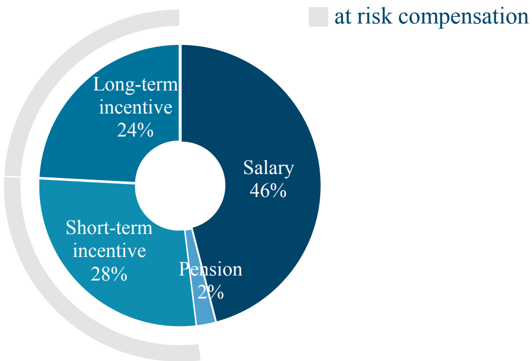
In the year under review the members of the Senior Executive Committee were: Mr Richard Lepeu, Mr Gary Saage and Mr Cyrille Vigneron.

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. The compensation for Mr Richard Lepeu and Mr Gary Saage recognises their long service and significant contribution to the creation of value for the Group. Mr Richard Lepeu has served the Group for over 37 years and Mr Gary Saage for 28 years. In general, an executive's total compensation will comprise both fixed and variable elements.

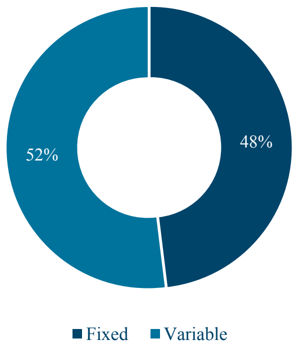
In addition to a fixed base salary and post-employment benefits, an executive may receive a variable short-term cash incentive and an annual award in one of the three long-term benefit plans described below.

Compensation mix to 31 March 2017 (excluding employer's social security)

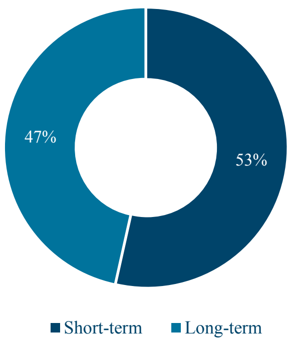


The split of fixed and variable compensation varies by individual, reflecting their role and local market conditions. In the year under review, variable compensation represented 52% of total compensation, with the long-term component representing 47% of the variable component.

Total compensation (excluding employer's social security)



Variable compensation (excluding employer's social security)



With the exception of share options, all incentives are cash-settled on their due date.

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

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. No salary increases were awarded in the year ended 31 March 2017.

Benefits

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

Other

Remuneration received in respect of the membership of Mr Richard Lepeu and Mr Gary Saage of the Board of Directors of YOOX-NET-A-PORTER S.p.A., an associated company, is paid directly to the Group.

7. Variable compensation of the Senior Executive Committee

The Group operates a short-term cash incentive and three distinct long-term benefit incentive plans 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 in the form of the Group's three distinct plans 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.

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. The short-term incentive targets vary according to function from 40% to 75% of base salary, with a maximum cap set at 200% of base salary. In general, the quantitative component should represent at least 60% of the target.

The quantitative component of the short-term cash incentive is assessed on actual Group or Maison sales (50% of the quantitative component of the incentive), operating profit and adjusted free cash flow, after capital expenditure, for the year compared against the current year's budget and the prior year's actual financial results. 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; the achieved quantitative percentage will apply equally to each executive.

For those members of the Senior Executive Committee receiving a short-term incentive for the year to March 2016, the quantitative component represented 50% of the incentive target and the qualitative component 25%. The achievement of each executive as determined by the Compensation Committee is detailed below.

The total incentive awards achieved represented on average 78% of base salary, a reduction of 6% on the 84% average for the prior year.

	Quantitative (% of salary)		Qualitative (% of salary)		Total	
	Target	Achieved	Target	Achieved	Target	Achieved
Richard Lepeu	*50%*	43%	*25%*	25%	*75%*	68%
Gary Saage	*50%*	43%	*25%*	49%	*75%*	91%
Cyrille Vigneron	*50%*	45%	*25%*	35%	*75%*	80%

The short-term incentive awarded to Cyrille Vigneron reflects the period from 1 January 2016, the date on which his employment with the Group commenced, to 31 March 2016 only.

The Compensation Committee has discretion to adjust the final award downwards if it considers that the short-term performance has been achieved at the expense of long-term future success and may adjust the award upwards to recognise exceptional circumstances that were beyond the direct responsibility of the executive.

The award for the year to March 2016 was proposed by the Compensation Committee at their meeting in May 2016 and retrospectively approved by shareholders in September 2016.

Long-term variable components

The Group operates three long-term incentive plans in which executives may be eligible to participate. These plans are a significant component of the Group's remuneration strategy and are described in detail on the following pages. They serve 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 Maisons.

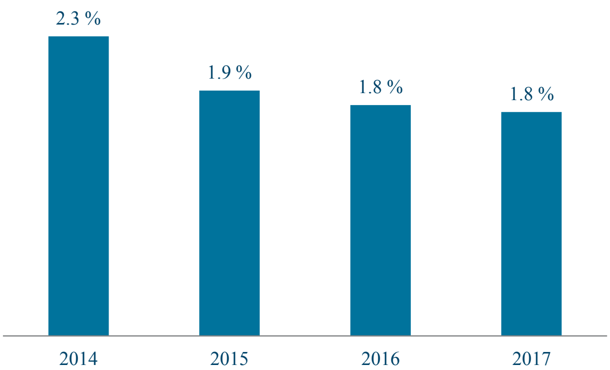
As a general rule, directors and members of the Senior Executive Committee working principally for a Maison are rewarded using the Long-term Incentive Plan ('LTIP'), which links the executive's compensation to the increase in value of the Maison over a fixed period, typically three years. The Long-term Retention Plan ('LRP') is used to reward executives when neither share options, for example due to their dilutive effect, nor an award under the LTIP are appropriate. An executive can only receive an award in one of the three long-term benefit plans described above on an annual basis.

Share options

Executives may be eligible to participate in the Group's share option plan, details of which are set out on page 116 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. As a general rule, no options are awarded should the number of unexercised options exceed 5% of the issued share capital of the Company. The Group continues to actively manage its share option grant practices to employees and this has resulted in a consistent decline in share option dilution.

Share option dilution from 2014 (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 former 'A' units and '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 200% 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 from 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 13.54, will be reassessed for accounting purposes, if approved by shareholders in September 2017. The compensation fair value reported in the prior year of CHF 17.37 was reassessed for accounting purposes in September 2016 at CHF 5.62. The change in value is disclosed in note 36 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 2017, a total of 1 984 600 share options were awarded with a strike price of CHF 56.55. Two members of the Senior Executive Committee received share options in May 2016.

	Options awarded	IFRS value (CHF)	Multiple of base salary
Richard Lepeu	150 000	2 031 000	56%
Gary Saage	120 000	1 624 800	66%

Options granted vest in equal instalments between three and five years following the grant date. Those awarded from 2008 onwards have included a vesting condition linked to the performance of the Company's share price, between the grant date and relevant vesting dates, relative to the share price movements of a comparative group of luxury goods businesses over the same period. At each vesting date, the Directors, or a duly appointed committee of the Board, have the discretion to lapse some, or all, of the options vesting which are subject to this performance condition. This criteria is applied to options held by members of senior management only. The review of share price performance takes place on the final Monday in May preceding the option vesting date and considers both average share price performance for the period and total shareholder return, including dividends paid.

The comparative group currently comprises Swatch Group, LVMH, Hermes International, Kering, and Tiffany & Co. The comparative group at each relevant vesting date will reflect a selection of the Group's luxury goods competitors at that date and may therefore differ from the current group.

In the event that an option holder retires, all outstanding share options vest immediately, with the exception of those granted to members of the Senior Executive Committee, as described below. These options will vest in tranches beginning twelve months after the date of his retirement, if before the normal vesting date. 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.

Following the retirement of Richard Lepeu on 31 March 2017, options granted in May 2015 and May 2016 (in total 287 500 options) will vest in tranches 12, 24 and 36 months after the date of retirement.

On 1 July 2016, two 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% for some senior executives, including those in the Senior Executive Committee.

Compensation report continued

Details of options held by members of the Board and the Senior Executive Committee under the Group's share option plan at 31 March 2017 are as follows:

	1 April 2016	Granted	Cancelled number of options	Exercised	31 March 2017	Average grant price CHF	Earliest exercise period	Latest expiry
Richard Lepeu	1 395 125	150 000	18 333	455 958	**1 070 834**	76.61	Apr 2017 – Jul 2021	June 2025
Jan Rupert	143 126	–	–	45 000	**98 126**	21.20	Apr 2017	June 2017
Gary Saage	778 667	120 000	10 000	–	**888 667**	72.88	Apr 2017 – Jul 2021	June 2025
	2 316 918	270 000	28 333	500 958	**2 057 627**			

The options held by Mr Jan Rupert, a non-executive director, were awarded to him in his previous role as an executive director of the Company.

Long-term retention plan

As an alternative long-term benefit to the share option plan described above, the Group introduced a Long-term Retention Plan ('LRP') in June 2010. The 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. The percentage awarded to members of the Senior Executive Committee eligible for this plan is based on quantitative and qualitative criteria similar to those used in the assessment of short-term incentives, as described above, and reflects both potential and achieved performance. The cash settlement will be subject to a comparison of the performance of the Company's share price relative to a comparative group of luxury goods businesses, similar to the vesting conditions that apply to the Group's share option plan.

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 takes account also 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.

8. 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 stock 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 allotted 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 115 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'). SIX simultaneously publishes such notifications at: http://www.six-exchange-regulation.com/obligations/management_transactions/notifications_en.html

9. 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 Group's Chief Executive Officer, its Chief Financial Officer and the Chief Executive Officer of Cartier. 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 29 428 529. The highest paid executive was Mr Richard Lepeu, Chief Executive Officer, with a total compensation of CHF 8 896 886.

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.
- LRP: total fair value of award, as determined at the date of grant.
- 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.

AUDITED

Compensation report continued

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 cost5 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]	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 at the date of the award. Details of the share option valuation model and significant inputs to this model are found in note 36.

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. The table above includes compensation for other services.

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.

Compensation for the financial year to 31 March 2016

	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 cost3 CHF	Total CHF
Board of Directors							
Johann Rupert	1 611 307	1 611 444	–	–	–	–	**3 222 751**
Yves-André Istel	285 000	–	–	–	–	19 492	**304 492**
Josua Malherbe	300 000	–	–	–	–	23 670	**323 670**
Bernard Fornas	–	–	–	–	–	–	**–**
Richard Lepeu	–	–	–	–	–	–	**–**
Gary Saage	–	–	–	–	–	–	**–**
Jean-Blaise Eckert	245 000	–	–	–	–	–	**245 000**
Ruggero Magnoni[2]	–	–	–	–	–	–	**–**
Simon Murray	200 000	–	–	–	–	–	**200 000**
Alain Dominique Perrin[2]	2 415 461	–	–	–	–	–	**2 415 461**
Guillaume Pictet	200 000	–	–	–	–	14 782	**214 782**
Norbert Platt	264 397	–	–	–	–	13 288	**277 685**
Alan Quasha	200 000	–	–	–	–	–	**200 000**
Maria Ramos	184 800	–	–	–	–	15 203	**200 003**
Lord Renwick of Clifton	345 000	–	–	–	–	–	**345 000**
Jan Rupert	200 000	–	–	–	–	16 388	**216 388**
Jürgen Schrempp	384 800	–	–	–	–	–	**384 800**
Duke of Wellington	359 951	–	–	–	–	62 069	**422 020**
Total	7 195 716	1 611 444	–	–	–	164 892	**8 972 052**
Senior Executive Committee							
Bernard Fornas	4 009 329	132 482	2 800 000	2 400 000	–	358 909	**9 700 720**
Richard Lepeu	3 954 074	108 991	2 800 000	–	2 388 375	425 732	**9 677 172**
Gary Saage	2 574 126	190 382	2 470 000	–	2 866 050	400 014	**8 500 572**
Total	10 537 529	431 855	8 070 000	2 400 000	5 254 425	1 184 655	**27 878 464**
Total compensation	17 733 245	2 043 299	8 070 000	2 400 000	5 254 425	1 349 547	**36 850 516**

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 36.

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

AUDITED

Compensation report continued

AUDITED

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

Loans to members of governing bodies

As at 31 March 2017, 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.

10. Related party transactions

In addition to their duties as non-executive directors, Mr Alain Dominique Perrin and Mr Norbert Platt provided consultancy services to the Group during the year. Fees for those services, amounting to CHF 1.0 million and CHF 0.1 million respectively, are included in the compensation disclosures above. Compensation for Mr Perrin relates to the period from 1 April 2016 to 14 September 2016, the date on which he stepped down as a Director. 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.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss law firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling CHF 0.8 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 addition to his non-executive director's fees, the Duke of Wellington received fees and other benefits totalling CHF 0.1 million in connection with his role as director and non-executive chairman of Richemont Holdings (UK) Limited.

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 57 to 60 of the accompanying Compensation Report of Compagnie Financière Richemont SA for the year ended 31 March 2017. 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 57 to 60 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 2017 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers SA

Michael Foley	**Sylvère Jordan**
Audit expert	Audit expert
Auditor in charge	

Geneva, 11 May 2017

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 2017. The consolidated financial statements on the following pages set out the financial position of the Group at 31 March 2017 and the results and cash flows of its operations for the year then ended. The financial statements of the Company are presented on pages 124 to 128.

The draft agenda of the Annual General Meeting, which is to be held in Geneva on 13 September 2017, is set out on page 135.

Further information on the Group's activities during the year under review is given in the financial review on pages 29 to 35.

Consolidated financial statements

Company financial statements

Consolidated balance sheet
at 31 March

	Notes	2017 €m	2016 €m
Assets			
Non-current assets			
Property, plant and equipment	*6*	**2 558**	2 476
Goodwill	*7*	**298**	291
Other intangible assets	*8*	**391**	421
Investment property	*9*	**12**	191
Equity-accounted investments	*10*	**1 307**	1 283
Deferred income tax assets	*11*	**724**	700
Financial assets held at fair value through profit or loss	*12*	**7**	7
Other non-current assets	*13*	**430**	398
		5 727	5 767
Current assets			
Inventories	*14*	**5 302**	5 345
Trade and other receivables	*15*	**996**	1 021
Derivative financial instruments	*16*	**20**	41
Prepayments		**163**	135
Financial assets held at fair value through profit or loss	*12*	**3 481**	3 247
Cash at bank and on hand	*17*	**4 450**	4 569
Assets of disposal group held for sale	*34*	**21**	–
		14 433	14 358
Total assets		**20 160**	20 125
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	*18*	**334**	334
Treasury shares	*18*	**(432)**	(412)
Share option reserve	*18*	**327**	289
Cumulative translation adjustment reserve		**3 004**	2 725
Retained earnings	*18*	**12 296**	12 111
Total equity		**15 529**	15 047
Liabilities			
Non-current liabilities			
Borrowings	*19*	**402**	379
Deferred income tax liabilities	*11*	**8**	10
Employee benefits obligation	*20*	**98**	290
Provisions	*21*	**91**	79
Other long-term financial liabilities	*22*	**132**	124
		731	882
Current liabilities			
Trade and other payables	*23*	**1 508**	1 526
Current income tax liabilities		**365**	268
Borrowings	*19*	**53**	77
Derivative financial instruments	*16*	**67**	93
Provisions	*21*	**215**	211
Bank overdrafts	*17*	**1 685**	2 021
Liabilities of disposal group held for sale	*34*	**7**	–
		3 900	4 196
Total liabilities		**4 631**	5 078
Total equity and liabilities		**20 160**	20 125

The notes on pages 68 to 117 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March

	Notes	2017 €m	2016 €m
Sales	5	**10 647**	11 076
Cost of sales		**(3 848)**	(3 958)
Gross profit		**6 799**	7 118
Selling and distribution expenses		**(3 044)**	(2 950)
Communication expenses		**(1 119)**	(1 093)
Administrative expenses		**(1 015)**	(992)
Other operating income/(expense)	24	**143**	(22)
Operating profit		**1 764**	2 061
Finance costs	27	**(233)**	(166)
Finance income	27	**73**	168
Share of post-tax results of equity-accounted investments	10	**(34)**	(5)
Profit before taxation		**1 570**	2 058
Taxation	11	**(360)**	(370)
Profit for the year from continuing operations		**1 210**	1 688
Profit for the year from discontinued operations	34	**–**	539
Profit for the year		**1 210**	2 227
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses	20	**(99)**	(59)
Tax on defined benefit plan actuarial losses		**(20)**	11
Share of other comprehensive income of equity-accounted investments	10	**–**	2
		(119)	(46)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the year		**279**	(545)
– reclassification to profit or loss		**–**	(36)
Share of other comprehensive income of equity-accounted investments	10	**–**	–
		279	(581)
Other comprehensive income, net of tax		**160**	(627)
Total comprehensive income		**1 370**	1 600
Total comprehensive income attributable to:			
Owners of the parent company		**1 370**	1 600
– continuing operations		**1 370**	1 111
– discontinued operations		**–**	489
		1 370	1 600
Earnings per share attributable to owners of the parent company during the year (expressed in € per share)			
From profit for the year			
Basic	28	**2.145**	3.947
Diluted	28	**2.141**	3.935
From continuing operations			
Basic	28	**2.145**	2.992
Diluted	28	**2.141**	2.983

The notes on pages 68 to 117 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

		Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Notes	Share capital €m	Treasury shares €m	Share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	€m	€m
Balance at 1 April 2015		334	(364)	291	3 306	10 854	14 421	(1)	14 420
Comprehensive income									
Profit for the year		–	–	–	–	2 227	2 227	–	2 227
Other comprehensive income		–	–	–	(581)	(46)	(627)	–	(627)
		–	–	–	(581)	2 181	1 600	–	1 600
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*18*	–	(48)	–	–	(46)	(94)	–	(94)
Employee share option plan	*18*	–	–	24	–	–	24	–	24
Tax on share option plan	*18*	–	–	(26)	–	–	(26)	–	(26)
Acquisition of non-controlling interest		–	–	–	–	(24)	(24)	1	(23)
Dividends paid	*29*	–	–	–	–	(854)	(854)	–	(854)
		–	(48)	(2)	–	(924)	(974)	1	(973)
Balance at 31 March 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	*18*	**–**	**–**	**30**	**–**	**–**	**30**	**–**	**30**
Tax on share option plan	*18*	**–**	**–**	**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**

The notes on pages 68 to 117 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 March

	Notes	2017 €m	2016 €m
Cash flows from operating activities			
Cash flow generated from operations	*30*	**1 896**	2 419
Interest received		**78**	58
Interest paid		**(69)**	(68)
Dividends from equity-accounted investments	*10*	**2**	1
Taxation paid		**(288)**	(446)
Net cash generated from operating activities		**1 619**	1 964
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*33*	**(3)**	(131)
Proceeds from disposal of subsidiary undertakings, net of cash		**370**	(5)
Acquisition of equity-accounted investments		**(55)**	(11)
Acquisition of property, plant and equipment		**(536)**	(630)
Proceeds from disposal of property, plant and equipment		**15**	17
Acquisition of intangible assets		**(63)**	(80)
Proceeds from disposal of intangible assets		**14**	1
Investment in money market and externally managed funds		**(4 183)**	(6 428)
Proceeds from disposal of money market and externally managed funds		**3 988**	6 007
Acquisition of other non-current assets		**(36)**	(58)
Proceeds from disposal of other non-current assets		**14**	31
Net cash used in investing activities		**(475)**	(1 287)
Cash flows from financing activities			
Proceeds from borrowings		**101**	105
Repayment of borrowings		**(131)**	(205)
Dividends paid		**(878)**	(854)
Payment for treasury shares		**(95)**	(144)
Proceeds from sale of treasury shares		**47**	50
Acquisition of non-controlling interests in subsidiaries		**–**	(152)
Capital element of finance lease payments		**(2)**	(1)
Net cash used in financing activities		**(958)**	(1 201)
Net change in cash and cash equivalents		**186**	(524)
Cash and cash equivalents at the beginning of the year		**2 548**	3 152
Exchange gains/(losses) on cash and cash equivalents		**31**	(80)
Cash and cash equivalents at the end of the year	*17*	**2 765**	2 548

The notes on pages 68 to 117 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
at 31 March 2017

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 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, Lancel, Chloé, Azzedine Alaïa, Purdey, Shanghai Tang, Peter Millar and Giampiero Bodino.

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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company ('the Board') on 11 May 2017 and are subject to approval at the shareholders' general meeting on 13 September 2017.

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 2.20 have been consistently applied to the periods presented. Amendments to IFRSs effective for the financial year ending 31 March 2017 do not have a material impact on the Group.

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 undertakings

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.

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.

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.

(b) Investments in 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. 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.

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. Property, plant and equipment

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

All property, plant and equipment is shown at cost less accumulated depreciation and impairment. Cost includes the estimated cost of the Group's obligation to remove an asset or restore a site, when such costs can be reliably estimated and the likelihood of having to satisfy the obligation is probable.

Subsequent expenditure is included only when it increases the future economic benefits associated with the asset. All other repair and maintenance costs are expensed as incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, up to the following limits:

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

Assets under construction are not depreciated. Land acquired under finance lease arrangements is depreciated to its residual value over the lease term. All other land is not depreciated.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

2.5. Goodwill and other intangible assets

(a) Goodwill

Goodwill is allocated to the cash-generating units 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.

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 may not be fully recoverable.

(b) Other intangible assets

Other intangible assets are shown at cost less accumulated amortisation and impairment.

Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its 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
- Patents and trademarks — 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 are expensed as incurred. Research expenditures are expensed as incurred.

2.6. Investment property

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 initially measured at cost. Subsequent measurement is in accordance with the Group policy for property, plant and equipment, see note 2.4.

Income from investment property and related operating costs are included within other operating income and expenses.

2.7. Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8. Other financial asset investments

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. 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.

2.9. Other non-current assets

The Group holds a collection of jewellery and watch pieces primarily for presentation purposes to promote the Maisons and their history. They are not initially intended for sale.

Maisons' collection pieces are held as non-current assets at cost less any impairment in value. The residual values of such pieces are generally equal to or in excess of cost.

2.10. Inventories

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.

2.11. Trade and other receivables

The carrying value of trade receivables represents the original invoice amount, 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.

2.12. Cash and cash equivalents

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.

2.13. Equity

(a) Share capital

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.

(b) Treasury shares

All consideration paid by the Group in the acquisition of treasury shares and received by the Group on the disposal of treasury shares is recognised directly in shareholders' equity. 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.

2.14. Borrowings

Borrowings 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.

2.15. Current and deferred income tax

The tax expense comprises current and deferred taxes on income.

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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and the carry forward of unused tax losses can be utilised.

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.

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.

2.16. Employee benefits

(a) Defined benefit and defined contribution plans

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 Group operates a number of defined benefit post-employment benefit plans throughout the world. 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 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.

(b) 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.

(c) 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.

(d) Share-based payment

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, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. 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.

2.17. Provisions

Provisions for restructuring costs, legal claims and other liabilities are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

2.18. 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.

2.19. Leases

(a) Group as lessee

Leases are classified as finance leases wherever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the lower of the present value of future minimum lease payments and 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.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

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.

(b) Group as lessor

Rental income from operating leases is recognised in profit or loss using the straight-line method over the lease term.

2.20. Dividend distributions

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.

2.21. 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,* issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9, amended in October 2010, introduces additional changes relating to financial liabilities. Adoption of these standards is not expected to have a significant impact on the Group's financial position. IFRS 9, amended in November 2013, introduced new requirements for general hedge accounting. The standard is applicable for annual periods beginning on or after 1 January 2018. The Group does not expect the impact of the new standard to be significant.

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. The new standard establishes a model to use in accounting for revenue from contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018. The Group does not expect the impact of the new standard to be significant.

IFRS 16 *Leases* was issued in January 2016. The new standard 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 standard is effective for annual periods beginning on or after 1 January 2019. While still assessing the full impact of these new requirements, the Group expects that the adoption of the new requirements to lead to a significant increase in total assets and total liabilities, and an increase in operating profit.

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 judgements 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 judgements 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 judgement 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 judgement 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 2017 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, Shanghai Tang, Peter Millar, Alaia, 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.

Inter-segment transactions between different fiscal entities are transacted at prices that reflect the risk and rewards transferred and are entered into under normal commercial terms and conditions. Inter-segment transactions within the same fiscal entity are transacted at cost. All inter-segment sales are eliminated in the reports reviewed by the CODM.

Notes to the consolidated financial statements continued

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:

	2017 €m	2016 €m
External sales		
Jewellery Maisons	**5 927**	6 048
Specialist Watchmakers	**2 879**	3 225
Other	**1 841**	1 803
	10 647	11 076

	2017 €m	2016 €m
Operating result		
Jewellery Maisons	**1 682**	1 892
Specialist Watchmakers	**226**	520
Other	**110**	(94)
	2 018	2 318
Unallocated corporate costs	**(254)**	(257)
Consolidated operating profit before finance and tax	**1 764**	2 061
Finance costs	**(233)**	(166)
Finance income	**73**	168
Share of post-tax results of equity-accounted investments	**(34)**	(5)
Profit before taxation	**1 570**	2 058
Taxation	**(360)**	(370)
Profit for the year from continuing operations	**1 210**	1 688

	2017 €m	2016 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**201**	190
Specialist Watchmakers	**157**	153
Other	**117**	116
Unallocated	**86**	82
	561	541

An impairment charge of € 2 million was included in the 'Other' segment in 2017 (2016: € 2 million in 'Other' segment and € 16 million in unallocated corporate costs).

5. Segment information continued

(a) Information on reportable segments continued

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

	2017 €m	2016 €m
Segment assets		
Jewellery Maisons	**3 289**	3 249
Specialist Watchmakers	**1 739**	1 842
Other	**904**	903
	5 932	5 994

	2017 €m	2016 €m
Total segment assets	**5 932**	5 994
Property, plant and equipment	**2 558**	2 476
Goodwill	**298**	291
Other intangible assets	**391**	421
Investment property	**12**	191
Equity-accounted investments	**1 307**	1 283
Deferred income tax assets	**724**	700
Financial assets at fair value through profit or loss	**3 488**	3 254
Other non-current assets	**430**	398
Other receivables	**366**	372
Derivative financial instruments	**20**	41
Prepayments	**163**	135
Cash at bank and on hand	**4 450**	4 569
Assets of disposal group held for sale	**21**	–
Total assets	**20 160**	20 125

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

	2017 €m	2016 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**238**	276
Specialist Watchmakers	**122**	166
Other	**133**	115
Unallocated	**94**	145
	587	702

Notes to the consolidated financial statements continued

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:

	2017 €m	2016 €m
Europe	**3 068**	3 388
France	**711**	864
Switzerland	**450**	572
Germany, Italy and Spain	**839**	964
Other Europe	**1 068**	988
Middle East and Africa	**885**	975
Asia	**4 913**	4 968
China, Hong Kong & Macau	**2 585**	2 631
Japan	**1 010**	1 031
Korea	**513**	429
Other Asia	**805**	877
Americas	**1 781**	1 745
USA	**1 435**	1 368
Other Americas	**346**	377
	10 647	11 076

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

Prior year amounts have been re-presented for consistency with the current year presentation, which provides greater detail of the Asia region.

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:

	2017 €m	2016 €m
Switzerland	**1 982**	1 982
United Kingdom	**1 371**	1 349
USA	**353**	314
Rest of the world	**1 138**	1 275
	4 844	4 920

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

(c) Information about products

External sales by product are as follows:

	2017 €m	2016 €m
Watches	**4 340**	5 098
Jewellery	**4 160**	3 881
Leather goods	**779**	698
Clothing	**419**	442
Writing instruments	**396**	382
Other	**553**	575
	10 647	11 076

(d) Major customers

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

6. Property, plant and equipment

	Land and buildings €m	Plant and machinery €m	Fixtures, fittings, tools and equipment €m	Assets under construction €m	Total €m
1 April 2015					
Cost	1 060	831	2 394	335	4 620
Depreciation	(345)	(501)	(1 328)	–	(2 174)
Net book value at 1 April 2015	715	330	1 066	335	2 446
Exchange adjustments	(36)	(12)	(57)	(12)	(117)
Additions	64	62	306	195	627
Disposals	(11)	(6)	(13)	(1)	(31)
Depreciation charge	(46)	(70)	(331)	–	(447)
Impairment charge	–	–	(2)	–	(2)
Transfers and reclassifications	244	3	76	(323)	–
31 March 2016					
Cost	1 299	830	2 494	194	4 817
Depreciation	(369)	(523)	(1 449)	–	(2 341)
Net book value at 31 March 2016	930	307	1 045	194	2 476

	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)**
Reclassified to assets held for sale (note 34)	**(1)**	**(6)**	**(1)**	**–**	**(8)**
Impairment charge	**–**	**–**	**(2)**	**–**	**(2)**
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**

Included above is property, plant and equipment held under finance leases with a net book value of € 37 million (2016: € 38 million) comprising land and building € 35 million (2016: € 35 million); and fixtures, fittings, tools and equipment € 2 million (2016: € 3 million).

Impairment charges of € 2 million are included in selling and distribution expenses.

Committed capital expenditure not reflected in these financial statements amounted to € 89 million at 31 March 2017 (2016: € 77 million).

7. Goodwill

Goodwill is the only intangible asset with an indefinite life.

	€m
Cost at 1 April 2015	320
Exchange adjustments	(13)
Impairment charge	(16)
Cost at 31 March 2016	**291**
Exchange adjustments	**7**
Cost at 31 March 2017	**298**

At 31 March 2017, the carrying value of goodwill includes accumulated impairment charges of € 16 million (2016: € 16 million).

Impairment testing for goodwill

For the purposes of impairment testing, goodwill is allocated to several cash-generating units ('CGU') or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, subject to an operating segment ceiling. No single CGU has an allocation of goodwill which is significant to the Group.

Goodwill is impaired if the carrying value of the CGU, calculated using value-in-use, exceeds the recoverable amount. 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 2017 (2016: € 16 million). A reasonably possible change in key assumptions at 31 March 2017 would not cause the carrying amount of any of the remaining CGUs to exceed the recoverable amount.

8. Other intangible assets

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2015					
Cost	222	256	165	200	843
Amortisation	(91)	(108)	(99)	(84)	(382)
Net book value at 1 April 2015	131	148	66	116	461
Exchange adjustments	(6)	(4)	(3)	(5)	(18)
Additions:					
– internally developed	–	–	–	41	41
– other	1	18	15	–	34
Disposals	–	–	–	(5)	(5)
Amortisation charge	(13)	(28)	(21)	(30)	(92)
31 March 2016					
Cost	209	265	166	211	851
Amortisation	(96)	(131)	(109)	(94)	(430)
Net book value at 31 March 2016	113	134	57	117	421

	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**

Amortisation of € 32 million (2016: € 31 million) is included in cost of sales; € 26 million (2016: € 25 million) is included in selling and distribution expenses; € 21 million (2016: € 20 million) is included in administration expenses; and € 15 million (2016: € 16 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.

9. Investment property

	Investment properties €m
1 April 2015	
Cost	71
Depreciation	(1)
Net book value at 1 April 2015	70
Acquisition through business combinations	122
Depreciation	(1)
31 March 2016	
Cost	193
Depreciation	(2)
Net book value at 31 March 2016	191

	Investment properties €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**

The Group owns an investment property located in Vancouver, Canada as part of its Property Fund. Independent property valuers performed market valuations of the Group's property at 31 March 2017. 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 property was 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. The most significant inputs considered in the valuation were the capitalisation rates of 4.3% and the current and future level of rental income per square metre. The fair value of the Group's investment property was determined to be € 13 million at 31 March 2017.

In November 2016 the Group sold its investment properties located in Paris, France, resulting in a pre-tax gain on sale of € 178 million (€ 139 million after taxes).

The Group leases out its investment properties. The minimum rental payments under non-cancellable leases receivable at 31 March are as follows:

	2017 €m	2016 €m
Within one year	**–**	5
Between two and five years	**1**	17
Thereafter	**–**	13
	1	35

9. Investment property continued

Rental income of € 4 million was received in the year to 31 March 2017 and included as other operating income (2016: € 8 million). Repairs and maintenance expenses included as other operating expenses were as follows:

Expenses relating to:	2017 €m	2016 €m
Income generating properties	**20**	11
Vacant properties	**–**	–
	20	11

The investment property is leased out for use as retail space with contract terms ending 2021. The lease terms are comparable with the market for retail 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

	€m
At 1 April 2015	115
Exchange adjustments	(9)
Acquisition of equity-accounted investments	1 170
Disposal of equity-accounted investments	–
Dividend received	(1)
Share of post-tax results	(5)
Share of other comprehensive income	2
Share of losses offset against long-term receivable from an equity-accounted investment	11
At 31 March 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**

The value of equity-accounted investments at 31 March 2017 includes goodwill of € 844 million (2016: € 867 million).

The Group's principal equity-accounted investments at 31 March 2017 are as follows:

		2017 interest held (%)	2016 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 SpA [1]	e-Commerce	49	50	Italy	Worldwide
Joint ventures					
Les Cadraniers de Genève SA	Watch component manufacturer	0	50	Switzerland	Switzerland
Fook Ming Watch Limited	Distributor of watch products	50	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
Montblanc India Retail Private Limited [2]	Distributor of products	51	51	India	India
New Bond Street JV II Unit Trust	Investment entity	46	0	United Kingdom	United Kingdom

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:

	2017 €m	2016 €m
Revenue	**1 871**	483
Profit/(loss) for the period	**(49)**	20
Other comprehensive income	**–**	5
Total comprehensive income	**(49)**	25
Group's share of profit/(loss) at % owned	**(9)**	10
Amortisation of fair-value adjustments on acquisition	**(13)**	(7)
Amount recognised in profit	**(22)**	3
Group's share of Other comprehensive income at % owned	**–**	2
Amount recognised in Other comprehensive income	**–**	2

The Group's share of profit/(loss) includes the gain recognised on dilution of the Group's shareholding during the year of € 18 million.

	2017 €m	2016 €m
Non-current assets	**423**	503
Current assets	**866**	820
Non-current liabilities	**(85)**	(109)
Current liabilities	**(641)**	(608)
Net assets	**563**	606
Group's share of net assets	**305**	305
Goodwill	**837**	860
Carrying amount of equity-accounted investments	**1 142**	1 165

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 2017, the fair value of the Group's interest in YOOX-NET-A-PORTER GROUP, which is listed on the Milan stock exchange, was € 1 464 million (2016: € 1 769 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.

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 reconciliation to the amounts recognised in the Group statement of financial position and profit or loss:

	Associated undertakings		Joint ventures		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Revenue	**59**	35	**10**	27	**69**	62
Profit/(loss) for the year	**–**	1	**(21)**	(16)	**(21)**	(15)
Group's share of profit/(loss) at individual % owned	**–**	–	**(11)**	(8)	**(11)**	(8)
Amount recognised in profit or (loss)	**–**	–	**(11)**	(8)	**(11)**	(8)

	Associated undertakings		Joint ventures		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Non-current assets	**57**	56	**634**	431	**691**	487
Current assets	**41**	36	**29**	33	**70**	69
Non-current liabilities	**(30)**	(17)	**(437)**	(315)	**(467)**	(332)
Current liabilities	**(13)**	(22)	**(39)**	(40)	**(52)**	(62)
Net assets	**55**	53	**187**	109	**242**	162
Group’s share of net assets	**13**	12	**85**	49	**98**	61
Goodwill	**7**	7	**–**	–	**7**	7
Losses recognised against long-term loan	**–**	–	**60**	50	**60**	50
Carrying amount of equity-accounted investments	**20**	19	**145**	99	**165**	118

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.

Notes to the consolidated financial statements continued

11. Taxation

11.1. Deferred income tax

(a) Deferred income tax assets

	1 April 2015 €m	Exchange adjustments €m	(Charge)/ credit for year €m	Recognised directly in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2016 €m
Depreciation	21	(2)	3	–	–	22
Provision on inventories	39	(2)	7	–	–	44
Bad debt reserves	3	–	–	–	–	3
Employee benefits obligation	57	(2)	–	11	–	66
Unrealised gross margin elimination	517	(23)	21	–	(1)	514
Tax losses carried forward	26	(2)	(5)	–	–	19
Deferred tax on option plan	48	(2)	2	(26)	–	22
Other	116	(5)	6	–	6	123
	827	(38)	34	(15)	5	813
Offset against deferred tax liabilities for entities settling on a net basis	(126)					(113)
	701					700

	1 April 2016 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised directly 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**

€ 236 million of deferred tax assets are expected to be recovered after more than twelve months (2016: € 255 million).

11. Taxation continued

11.1. Deferred income tax continued

(b) Deferred income tax liabilities

	1 April 2015 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised directly in equity or other comprehensive income €m	Acquisition in business combinations and transfers €m	31 March 2016 €m
Depreciation	(35)	1	5	–	–	(29)
Provision on inventories	(118)	4	64	–	–	(50)
Undistributed retained earnings	(36)	–	5	–	–	(31)
Other	(8)	1	(1)	–	(5)	(13)
	(197)	6	73	–	(5)	(123)
Offset against deferred tax assets for entities settling on a net basis	126					113
	(71)					(10)

	1 April 2016 €m	Exchange adjustments €m	(Charge)/credit for year €m	Recognised directly 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)**

€ 90 million of deferred tax liabilities are expected to be settled after more than twelve months (2016: € 73 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 € 637 million (2016: € 436 million). € 522 million of the unrecognised tax losses can be carried forward in the applicable jurisdiction of the reporting entity with no expiry dates (2016: € 368 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 € 161 million (2016: nil).

11.2. Taxation charge from continuing operations

Taxation charge for the year:

	2017 €m	2016 €m
Current tax	**374**	477
Deferred tax charge/(credit)	**(14)**	(107)
	360	370

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 2017 and 2016 were 22.5% and 17.9% respectively.

11. Taxation continued

11.2. Taxation charge 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:

	2017 €m	2016 €m
Profit before taxation	**1 570**	2 058
Share of post-tax results of equity-accounted investments	**34**	5
Adjusted profit before taxation	**1 604**	2 063
Tax on adjusted profit calculated at statutory tax rate	**337**	433
Difference in tax rates	**(15)**	(28)
Non-taxable income	**(3)**	(3)
Non-deductible expenses net of other permanent differences	**(23)**	15
Utilisation and recognition of prior year tax losses	**(9)**	(50)
Non-recognition of current year tax losses	**48**	14
Withholding and other taxes	**15**	16
Prior year adjustments	**10**	(27)
Taxation charge	**360**	370

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

	2017 €m	2016 €m
Non-current:		
Investments in unlisted undertakings	**7**	**7**
Total non-current	**7**	7
Current:		
Investments in money market and externally managed funds	**3 481**	3 247
Total current	**3 481**	3 247
Total financial assets held at fair value through profit or loss	**3 488**	3 254

Investments in 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.

13. Other non-current assets

	2017 €m	2016 €m
Maisons' collections	**248**	227
Lease deposits	**143**	131
Loans and receivables	**9**	9
Other assets	**30**	31
	430	398

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 (2016: € 3 million) due from an equity-accounted investment.

14. Inventories

	2017 €m	2016 €m
Raw materials and work in progress	**1 959**	2 014
Finished goods	**3 992**	3 894
	5 951	5 908
Provision for inventory	**(649)**	(563)
	5 302	5 345

The cost of inventories recognised as an expense and included in cost of sales amounted to € 3 194 million (2016: € 3 272 million).

The Group reversed € 108 million (2016: € 94 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 € 329 million (2016: € 232 million) in the write-down of inventory as a charge to cost of sales.

15. Trade and other receivables

	2017 €m	2016 €m
Trade receivables	**651**	671
Less: provision for impairment	**(21)**	(22)
Trade receivables – net	**630**	649
Loans and other receivables	**366**	372
	996	1 021

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 € 152 million (2016: € 140 million) and cash balances as disclosed in note 17 which are considered to be loans and receivables.

Notes to the consolidated financial statements continued

15. Trade and other receivables continued

Impairment losses

Impairment losses are recognised for all known bad debts and are provided on a specific basis.

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

	2017 €m	2016 €m
Balance at 1 April of prior year	**(22)**	(21)
Provision charged to profit or loss	**(11)**	(7)
Utilisation of provision	**3**	1
Reversal of unutilised provision	**9**	4
Exchange differences	**–**	1
Balance at 31 March	**(21)**	(22)

At 31 March 2017, trade and other receivables of € 26 million (2016: € 34 million) were impaired.

Receivables past due but not impaired:

	2017 €m	2016 €m
Up to three months past due	**59**	46
Three to six months past due	**9**	5
Over six months past due	**4**	1
	72	52

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	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Currency forwards	**2 737**	3 061	**13**	41	**(57)**	(51)
Cross-currency swap derivatives	**187**	371	**7**	–	**–**	(22)
Interest rate swap derivatives	**374**	351	**–**	–	**(10)**	(20)
	3 298	3 783	**20**	41	**(67)**	(93)

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	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Currency forwards	**1 378**	1 722	**1 359**	1 339	**–**	–
Cross-currency swap derivatives	**–**	–	**187**	371	**–**	–
Interest rate swap derivatives	**–**	–	**–**	–	**374**	351
	1 378	1 722	**1 546**	1 710	**374**	351

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

	2017 €m	2016 €m
Cash at bank and on hand	**4 450**	4 569
Bank overdrafts	**(1 685)**	(2 021)
	2 765	2 548

The effective interest rate on cash at bank was 0.5 % (2016: 0.4 %). The effective interest rate on bank overdrafts was 1.6 % (2016: 1.0 %).

18. Equity

18.1. Share capital

	2017 €m	2016 €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 holders of the ‘A’ shares.

18.2. Treasury shares

In order to hedge partially its potential obligations arising under the stock 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 2015	9.9	364
Purchased	1.8	144
Sold	(2.1)	(96)
Balance at 31 March 2016	**9.6**	**412**
Purchased	**1.8**	**95**
Sold	**(2.0)**	**(75)**
Balance at 31 March 2017	**9.4**	**432**

The Company has given a pledge over 2 839 703 Richemont ‘A’ shares as security for vested warrants granted under the Group’s stock option plan (2016: 3 932 764 Richemont ‘A’ shares).

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

In the same period the Group delivered 2.0 million treasury shares for proceeds of € 47 million, in settlement of options exercised in the period and traded options exercised in previous periods.

The cost value of the 2.0 million shares (2016: 2.1 million shares) sold during the year to plan participants who exercised their options was € 75 million (2016: € 96 million). The loss realised on shares sold during the year amounted to € 28 million (2016: € 46 million) which was recognised directly in retained earnings.

The market value of the 9.4 million shares (2016: 9.6 million shares) held by the Group at the year end, based on the closing price at 31 March 2017 of CHF 79.20 (2016: CHF 63.55), amounted to € 693 million (2016: € 560 million).

18. Equity continued

18.3. Share option reserve

	2017 €m	2016 €m
Balance at 1 April of prior year	**289**	291
Movement in employee share option reserve		
– equity-settled share option expense	**30**	24
Tax on items recognised directly in equity	**8**	(26)
Balance at 31 March	**327**	289

18.4. Retained earnings

	2017 €m	2016 €m
Balance at 1 April of prior year	**12 111**	10 854
Profit for the year	**1 210**	2 227
Dividends paid	**(878)**	(854)
Defined benefit plan actuarial (losses)/gains	**(99)**	(59)
Tax on defined benefit plan actuarial (losses)/gains	**(20)**	11
Share of other comprehensive income of associates, net of tax	**–**	2
Acquisition of non-controlling interests (note 39)	**–**	(24)
Loss on sale of treasury shares	**(28)**	(46)
Balance at 31 March	**12 296**	12 111

18.5. Legal reserves

Legal reserves amounting to € 95 million (2016: € 95 million) are included in the reserves of Group companies but are not available for distribution.

19. Borrowings

	2017 €m	2016 €m
Non-current:		
Unsecured bank borrowings	**374**	351
Finance lease obligations	**28**	28
	402	379
Current:		
Unsecured bank borrowings	**52**	76
Finance lease obligations	**1**	1
	53	77
Total borrowings	**455**	456

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

	2017 €m	2016 €m
Swiss franc	**25**	24
US dollar	**374**	378
Taiwan dollar	**44**	43
Other	**12**	11
	455	456

19. Borrowings continued

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

	2017 €m	2016 €m
Fixed rate borrowings	**374**	351
Floating rate borrowings	**52**	76
Finance lease obligations	**29**	29
	455	456

The Group has one fixed rate borrowing; a 2.95% fixed rate USD borrowing of € 374 million maturing in 2019. 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 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.

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

Finance lease obligations

	Minimum lease payments		Interest		Present value of finance lease obligations	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Within one year	**2**	2	**1**	1	**1**	1
Between one and five years	**5**	5	**3**	3	**2**	2
After more than five years	**103**	106	**77**	80	**26**	26
	110	113	**81**	84	**29**	29

20. Employee benefits obligation

The Group's major 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.

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.

Under IAS19, the calculation methodology, including the use of a historically low corporate bond based discount rate (due to year-end market conditions) has resulted in a deficit on the balance sheet at the year end. In practice, based on the most recent valuation, the assets held are expected to be sufficient to cover the current retirement account for each member, the current pensions in payment and the future value of any guarantees and therefore the Group does not expect to be required to make any additional contributions.

20. Employee benefits obligation continued

The Group has continued to take action to manage the risks in the foundation and in 2016 the Foundation Board agreed to a number of changes in the foundation rules which were implemented from 1 January 2017. These changes included:

- changes to the structure of employee and employer contributions, with higher contributions payable as members get closer to retirement; and
- a reduction in the technical interest rate which is used to determine the rate for converting a member's retirement account to a pension annuity from 3% to 2.5%.

These changes in the foundation rules have resulted in a past service credit of € 20 million.

In addition, greater flexibility has been introduced into the rules to enable the foundation Board to update the technical interest rate more easily in the future. Going forward, the plan rules give the Board the freedom to change the technical interest rate and as a result the Group is required to set an assumption for future rates for converting lump sum benefits into pension (which are determined using the technical interest rate). This assumption is included in the disclosures that follow and represents the Group's best estimate of the long-term technical interest rate, taking into account current market expectations and the Foundation Board's approach to setting the technical interest rate. The future technical interest rate is lower than the level previously assumed and as a result there has been an actuarial gain, recognised in other comprehensive income, of € 30 million to reflect this change in assumption.

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 € 68 million to these plans in Switzerland during the year ended 31 March 2018, compared to € 67 million during the year ended 31 March 2017.

UK

In the UK, the Group operates a defined benefit plan which closed to new entrants in 2004. All employees are now offered membership of a defined contribution plan operated by the Group. During the year ended 31 March 2017 the Group undertook to consult with members regarding their future pension provision, and as a result the plan closed to all future accrual from 31 March 2017. From 1 April 2017 members' benefits are linked to inflation up until their retirement date rather than pensionable salaries. The closure of the plan has resulted in a past service credit during the year of € 11 million.

The defined benefit plan is operated from a trust, which has assets held separately from the Group and trustees who ensure the plan's rules are adhered to. The weighted average duration of the expected benefit payments from the plan is around 21 years.

On 1 December 2016 the plan trustee entered into a full 'buy-in' agreement 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 the year ended 31 March 2017, in part by contributions totalling € 268 million 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 Company. The Group is, however, liable for additional contributions in respect of any data or benefit errors in the insurance policy, and the trustee is currently reviewing these items. The expected outcome of this review is an additional premium to the insurer falling due of approximately € 4 million, and this additional liability has been recognised as a past service cost.

A funding valuation of the plan is carried out and agreed between the Group and the plan trustee at least once every three years with the latest valuation as at 31 March 2016. The deficit shown at 31 March 2016 was met in full by the special contribution paid for the buy-in.

The Group expects to contribute € 2 million to the defined benefit plan during the year ended 31 March 2018, compared to € 274 million during the year ended 31 March 2017, which includes the one-off contribution of € 268 million in respect of the buy-in contract.

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 € 15 million to all such plans during the year ended 31 March 2018. This compares to € 15 million during the year ended 31 March 2017.

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	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Present value of funded obligations	**(1 444)**	(1 417)	**(376)**	(331)	**(170)**	(163)	**(1 990)**	(1 911)
Fair value of plan assets	**1 419**	1 251	**374**	287	**160**	141	**1 953**	1 679
Net funded obligations	**(25)**	(166)	**(2)**	(44)	**(10)**	(22)	**(37)**	(232)
Present value of unfunded obligations	**–**	–	**–**	–	**(60)**	(57)	**(60)**	(57)
Amount not recognised due to asset limit	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)
Net liabilities	**(25)**	(166)	**(2)**	(44)	**(71)**	(80)	**(98)**	(290)

The amounts recognised in profit or loss in respect of such plans are as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Current service cost	**82**	82	**3**	4	**14**	15	**99**	101
Administration expenses	**1**	1	**1**	1	**–**	–	**2**	2
Net interest on net defined benefit liability/(asset)	**1**	1	**(2)**	2	**1**	1	**–**	4
Past service costs	**(20)**	(12)	**(11)**	–	**–**	2	**(31)**	(10)
Actuarial (losses)/gains on other employee benefits	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)
	64	72	**(9)**	7	**14**	17	**69**	96

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Expense charged in:								
Cost of sales	**36**	38	**(1)**	1	**3**	4	**38**	43
Net operating expenses	**28**	34	**(8)**	6	**11**	13	**31**	53
	64	72	**(9)**	7	**14**	17	**69**	96

Total costs are included in employee benefits expense (note 26).

20. Employee benefits obligation continued

The amounts recognised immediately in other comprehensive income in respect of such plans are as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Net actuarial (gains)/losses in the year:								
Changes in financial assumptions	**(25)**	4	**80**	(23)	**1**	(8)	**56**	(27)
Changes in demographic assumptions	**(30)**	–	**–**	–	**–**	(4)	**(30)**	(4)
Experience adjustments on benefit obligations	**14**	9	**–**	–	**(1)**	(1)	**13**	8
Actual return on plan assets less interest on plan assets	**(97)**	56	**164**	13	**(7)**	13	**60**	82
Adjustment to recognise the effect of asset limit	**–**	–	**–**	–	**–**	–	**–**	–
	(138)	69	**244**	(10)	**(7)**	–	**99**	59

Changes in the net liabilities recognised are as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Balance at 1 April of prior year	**(166)**	(97)	**(44)**	(63)	**(80)**	(77)	**(290)**	(237)
Exchange differences	**–**	5	**3**	5	**(1)**	–	**2**	10
Amounts recognised in profit or loss	**(64)**	(72)	**9**	(7)	**(14)**	(17)	**(69)**	(96)
Amounts recognised in other comprehensive income	**138**	(69)	**(244)**	10	**7**	–	**(99)**	(59)
Contributions paid	**67**	67	**274**	11	**15**	14	**356**	92
Reclassified to liabilities of disposal group held for sale (note 34)	**–**	–	**–**	–	**2**	–	**2**	–
Balance at 31 March	**(25)**	(166)	**(2)**	(44)	**(71)**	(80)	**(98)**	(290)

The movement in the fair value of plan assets was as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Balance at 1 April of prior year	**1 251**	1 313	**287**	316	**141**	148	**1 679**	1 777
Exchange differences	**27**	(57)	**(24)**	(26)	**3**	(2)	**6**	(85)
Interest on plan assets	**7**	10	**13**	10	**2**	2	**22**	22
Actual return on plan assets less interest on plan assets	**97**	(56)	**(164)**	(13)	**7**	(13)	**(60)**	(82)
Contributions paid by employer	**67**	67	**274**	11	**15**	14	**356**	92
Contributions paid by plan participants	**45**	46	**1**	1	**–**	–	**46**	47
Benefits paid	**(74)**	(71)	**(12)**	(11)	**(8)**	(8)	**(94)**	(90)
Administrative expenses	**(1)**	(1)	**(1)**	(1)	**–**	–	**(2)**	(2)
Balance at 31 March	**1 419**	1 251	**374**	287	**160**	141	**1 953**	1 679

20. Employee benefits obligation continued

The movement in the present value of the employee benefit obligation was as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Balance at 1 April of prior year	**(1 417)**	(1 410)	**(331)**	(379)	**(220)**	(224)	**(1 968)**	(2 013)
Exchange differences	**(29)**	62	**27**	31	**(4)**	2	**(6)**	95
Current service cost (employer part)	**(82)**	(82)	**(3)**	(4)	**(14)**	(15)	**(99)**	(101)
Contributions by plan participants	**(45)**	(46)	**(1)**	(1)	**–**	–	**(46)**	(47)
Interest on benefit obligations	**(8)**	(11)	**(11)**	(12)	**(3)**	(3)	**(22)**	(26)
Actuarial (losses)/gains	**43**	(13)	**(80)**	23	**1**	14	**(36)**	24
Past service cost	**20**	12	**11**	–	**–**	(2)	**31**	10
Reclassified to liabilities of disposal group held for sale (note 34)	**–**	–	**–**	–	**2**	–	**2**	–
Benefits paid	**74**	71	**12**	11	**8**	8	**94**	90
Balance at 31 March	**(1 444)**	(1 417)	**(376)**	(331)	**(230)**	(220)	**(2 050)**	(1 968)
Present value of funded obligations	**(1 444)**	(1 417)	**(376)**	(331)	**(170)**	(163)	**(1 990)**	(1 911)
Present value of unfunded obligations	**–**	–	**–**	–	**(60)**	(57)	**(60)**	(57)
Balance at 31 March	**(1 444)**	(1 417)	**(376)**	(331)	**(230)**	(220)	**(2 050)**	(1 968)

Changes in the amount not recognised due to the asset limit are as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Balance at 1 April of prior year	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)
Change in surplus/(deficit)	**–**	–	**–**	–	**–**	–	**–**	–
Exchange difference	**–**	–	**–**	–	**–**	–	**–**	–
Balance at 31 March	**–**	–	**–**	–	**(1)**	(1)	**(1)**	(1)

The major categories of plan assets at the reporting date are as follows:

	Switzerland		UK		Rest of the world		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Equities	**479**	396	**–**	43	**40**	48	**519**	487
Government bonds	**406**	398	**–**	109	**41**	36	**447**	543
Corporate bonds	**60**	52	**–**	23	**70**	61	**130**	136
Property	**293**	276	**–**	28	**1**	1	**294**	305
Cash	**53**	34	**2**	2	**5**	3	**60**	39
Insurance policies and other assets	**128**	95	**372**	82	**3**	(8)	**503**	169
Fair value of plan assets	**1 419**	1 251	**374**	287	**160**	141	**1 953**	1 679

The plans assets are held primarily within instruments with quoted market prices in active markets with the exception of the property and insurance policy holdings.

20. Employee benefits obligation continued

The Swiss foundation owns a property valued at € 20 million (2016: € 20 million) which the Group currently leases from the foundation. With the exception of this holding, 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 the statutory requirements, in a diversified portfolio which 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 plan is the bulk annuity contract with a UK insurance company. This provides a complete match to the benefits promised to current and future pensioners. There is also a liability equal to € 4 million in respect of the expected final premium payable once the insurer's data review has been completed, and cash in the Trustee bank account of € 2 million which partially offsets this. Additional contributions to cover the difference will be due when the final amount has been agreed.

These two strategies result in the following long-term asset allocations:

	Switzerland	UK
Equities	**33%**	**–**
Government bonds	**34%**	**–**
Corporate bonds	**4%**	**–**
Property	**21%**	**–**
Cash	**1%**	**1%**
Insurance policies & other assets	**7%**	**99%**
	100%	**100%**

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	
	2017	2016	2017	2016
Discount rate	**0.7 %**	0.6%	**2.6 %**	3.5%
Future salary increases	**0.8 %**	0.8%	**–**	4.0%
Interest credit rate	**0.8 %**	0.8%	**–**	–
Future pension increases	**–**	–	**3.1 %**	2.9%
Future life expectancy of a 60-year-old (years)	**27.1**	26.3	**28.2**	28.1

20. Employee benefits obligation continued

	Rest of the world			
	2017 Range	Weighted average	2016 Range	Weighted average
Discount rate	**0.7% to 7.0%**	**1.6 %**	0.5% to 4%	2.2%
Future salary increases	**1.9% to 8.0%**	**3.1 %**	1.1% to 4.0%	2.3%
Future pension increases	**1.8 %**	**1.8 %**	1.7%	1.7%

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 € 120 million (2016: € 122 million), a 0.5% per annum increase in assumed salary increases would increase the obligations by € 20 million (2016: € 27 million), a 0.5% decrease in the future rate for conversion of lump sum to pension would increase the obligations by around € 30 million and a one year increase in members life expectancy would increase obligations by around € 25 million (2016: € 24 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 € 55 million (2016: € 58 million) decrease in the obligations. The Group does not expect any economic benefit from the Foundation in Switzerland 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. This has removed approximately 20% of the total retirement benefit risk being run by the Group at the 2016 year end.

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 around € 13 million (2016: € 12 million) in total with a € 10 million (2016: € 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 assets held by the plans.

21. Provisions

	Warranties and sales related €m	Employee benefits €m	Other €m	Total €m
At 1 April 2016	**128**	**106**	**56**	**290**
Charged/(credited) to profit or loss:				
– additional provisions	**159**	**65**	**62**	**286**
– unused amounts reversed	**(26)**	**(12)**	**(8)**	**(46)**
Net charge	**133**	**53**	**54**	**240**
Utilised during the year	**(128)**	**(52)**	**(50)**	**(230)**
Exchange adjustments	**4**	**1**	**1**	**6**
At 31 March 2017	**137**	**108**	**61**	**306**

	2017 €m	2016 €m
Total provisions at 31 March:		
– non-current	**91**	79
– current	**215**	211
	306	290

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 € 137 million (2016: € 128 million) has been recognised for expected sales returns and warranty claims. It is expected that € 123 million (2016: € 116 million) of this provision will be used within the following twelve months and that the remaining € 14 million (2016: € 12 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 stock option plan. An amount of € 58 million (2016: € 45 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. It is not expected that the outcomes of legal claims will give rise to any material losses beyond the amounts provided at 31 March 2017. The Group's restructuring provision is expected to be utilised in the coming year.

22. Other long-term financial liabilities

	2017 €m	2016 €m
Operating lease liabilities	**120**	112
Other long-term financial liabilities	**12**	12
	132	124

23. Trade and other payables

	2017 €m	2016 €m
Trade creditors	**408**	487
Other payables and accruals	**964**	917
Current financial liabilities	**1 372**	1 404
Other current non-financial liabilities	**136**	122
	1 508	1 526

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 income/(expense)

	2017 €m	2016 €m
Royalty income	**34**	32
Royalty expenses	**(3)**	(5)
Investment property rental income	**4**	8
Investment property costs	**(20)**	(11)
Amortisation of other intangible assets acquired on business combinations	**(16)**	(16)
Impairment of goodwill (note 7)	**–**	(16)
Gain on sale of investment property (note 9)	**178**	–
Other (expense)/income	**(34)**	(14)
	143	(22)

25. Net profit from continuing operations

Net profit is stated after the following items of expense/(income):

	2017 €m	2016 €m
Depreciation of property, plant and equipment (note 6)	**467**	447
Impairment of property, plant and equipment (note 6)	**2**	2
Amortisation of other intangible assets (note 8)	**94**	92
Impairment of goodwill (note 7)	**–**	16
Operating lease rentals:		
– minimum lease rental	**680**	668
– contingent rental	**336**	315
Sub-lease rental income (non-investment property)	**(6)**	(4)
Research and development costs	**85**	78
Loss on disposal of property, plant and equipment	**11**	5
(Profit)/loss on disposal of other intangible assets	**(5)**	4
Restructuring charges	**18**	34

26. Employee benefits expense

	2017 €m	2016 €m
Wages and salaries including termination benefits € 28 million (2016: € 35 million)	**1 847**	1 834
Social security costs	**310**	293
Share option expense (note 36)	**30**	24
Long-term employee benefits	**29**	31
Pension costs – defined contribution plans	**44**	39
Pension costs – defined benefit plans (note 20)	**69**	96
	2 329	2 317

	2017 number	2016 number
Average number of employees:		
Switzerland	**8 270**	8 664
Rest of the world	**20 310**	20 146
	28 580	28 810

27. Finance costs and income

	2017 €m	2016 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(33)**	(36)
– other financial expenses	**(30)**	(24)
Net foreign exchange losses on monetary items	**(17)**	–
Mark-to-market adjustment in respect of hedging activities	**(125)**	(45)
Net loss in fair value of financial instruments at fair value through profit or loss:		
– held for trading	**(28)**	(26)
Loss on remeasurement of put option liability on non-controlling interests	**–**	(35)
Finance costs	**(233)**	(166)
Finance income:		
Interest income:		
– bank, other deposits, money market and externally managed funds	**67**	49
– other financial income	**6**	4
Net gain in fair value of financial instruments at fair value through profit or loss:		
– designated on initial recognition	**–**	1
Net foreign exchange gains on monetary items	**–**	114
Finance income	**73**	168
Net finance income/(costs)	**(160)**	2

28. Earnings per share

28.1. Basic

Basic earnings per share 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 holders of the 'A' shares.

	2017	2016
Profit from continuing operations attributable to owners of the parent company (€ millions)	**1 210**	1 688
Profit/(loss) from discontinued operations attributable to owners of the parent company (€ millions)	**–**	539
Total attributable to owners of the parent company (€ millions)	**1 210**	2 227
Weighted average number of shares in issue (millions)	**564.0**	564.2
Basic earnings per share from continuing operations	**2.145**	2.992
Basic earnings per share from discontinued operations	**–**	0.955
Total basic earnings per share	**2.145**	3.947

28.2. Diluted

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The 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.

5 308 458 options granted to employees are not dilutive for the period and so are excluded from the calculation of diluted EPS for the year ended 31 March 2017 (2016: 3 591 258 options).

	2017	2016
Profit from continuing operations attributable to owners of the parent company (€ millions)	**1 210**	1 688
Profit/(loss) from discontinued operations attributable to owners of the parent company (€ millions)	**–**	539
Total profit attributable to owners of the parent company (€ millions)	**1 210**	2 227
Weighted average number of shares in issue (millions)	**564.0**	564.2
Adjustment for share options (millions)	**1.1**	1.7
Weighted average number of shares for diluted earnings per share (millions)	**565.1**	565.9
Diluted earnings per share from continuing operations	**2.141**	2.983
Diluted earnings per share from discontinued operations	**–**	0.952
Total diluted earnings per share	**2.141**	3.935

28. Earnings per share continued

28.3. Headline earnings per share

The presentation of headline earnings per share as an alternative measure to earnings per share is required under the JSE listing requirements.

	2017 €m	2016 €m
Profit attributable to owners of the parent company	**1 210**	2 227
Loss on disposal of non-current assets	**6**	9
Impairment of non-current assets	**2**	18
Write-down of assets held for sale to its fair value less cost to disposal	**–**	11
Gain on disposal of subsidiary undertaking	**–**	(603)
Currency exchange losses reclassified from currency translation adjustment reserve	**–**	(36)
Gain on disposal of investment property after tax and costs to sell	**(139)**	–
Headline earnings	**1 079**	1 626

	2017 millions	2016 millions
Weighted average number of shares:		
– Basic	**564.0**	564.2
– Diluted	**565.1**	565.9
	€ per share	€ per share
Headline earnings per share:		
– Basic	**1.913**	2.882
– Diluted	**1.909**	2.873

29. Dividends

In September 2016 a dividend of CHF 1.70 per 'A' share and CHF 0.17 per 'B' share was paid (September 2015: CHF 1.60 and CHF 0.16 respectively).

30. Cash flow generated from operations

	2017 €m	2016 €m
Operating profit	**1 764**	2 061
Operating loss from discontinued operations	**–**	(91)
Depreciation of property, plant and equipment	**467**	455
Depreciation of investment property	**–**	1
Amortisation of other intangible assets	**94**	95
Impairment of property, plant and equipment	**2**	2
Impairment of goodwill	**–**	16
Loss on disposal of property, plant and equipment	**11**	5
(Profit)/loss on disposal of intangible assets	**(5)**	4
Profit on disposal of investment property	**(195)**	–
Increase in long-term provisions	**44**	7
(Decrease)/increase in retirement benefit obligations	**(287)**	4
Non-cash items	**30**	31
Decrease/(increase) in inventories	**123**	(139)
Decrease/(increase) in trade receivables	**42**	(2)
Decrease/(increase) in other receivables and prepayments	**5**	(16)
(Decrease)/increase in current liabilities	**(90)**	103
Increase in long-term liabilities	**12**	1
Decrease in derivative financial instruments	**(121)**	(118)
Cash flow generated from operations	**1 896**	2 419

The movement in retirement benefit obligations includes the impact of an exceptional contribution to the UK defined benefit pension fund of € 268 million (see note 20).

31. Financial instruments: fair values and risk management

31.1. 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.

	Carrying amount					Fair value			
31 March 2017	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									
Unlisted investments	7	–	–	–	7			7	7
Investments in externally managed funds	–	2 847	–	–	2 847	2 847			2 847
Investments in money market funds	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	–	–	9	–	9				
Non-current lease deposits	–	–	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	–	–	–	(374)	(374)		(368)		(368)
Floating rate borrowings	–	–	–	(52)	(52)				
Finance lease obligations	–	–	–	(29)	(29)				
Other long-term financial liabilities	–	–	–	(132)	(132)				
Trade and other payables	–	–	–	(1 372)	(1 372)				
Bank overdrafts	–	–	–	(1 685)	(1 685)				
	–	–	–	(3 644)	(3 644)				

31. Financial instruments: fair values and risk management continued

31.1. Fair value estimation continued

31 March 2016	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	7	–	–	–	7			7	7
Investments in externally managed funds	–	2 045	–	–	2 045	2 045			2 045
Investments in money market and government bond funds	1 202	–	–	–	1 202		1 202		1 202
Derivatives	–	41	–	–	41		41		41
	1 209	2 086	–	–	3 295				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	9	–	9				
Non-current lease deposits	–	–	131	–	131				
Trade and other receivables	–	–	1 021	–	1 021				
Cash at bank and on hand	–	–	4 569	–	4 569				
	–	–	5 730	–	5 730				
Financial liabilities measured at fair value									
Derivatives	–	(93)	–	–	(93)		(93)		(93)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(351)	(351)		(374)		(374)
Floating rate borrowings	–	–	–	(76)	(76)				
Finance lease obligations	–	–	–	(29)	(29)				
Other long-term financial liabilities	–	–	–	(124)	(124)				
Trade and other payables	–	–	–	(1 404)	(1 404)				
Bank overdrafts	–	–	–	(2 021)	(2 021)				
	–	–	–	(4 005)	(4 005)				

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 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 2017 the carrying amount remained unchanged at € 7 million.

31.2. 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, Singapore dollar, Taiwan dollar and Korean Won. 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, Singapore dollar, Taiwan dollar and Korean won 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 2016.

	Change in rate		Profit or loss	
	2017	2016	2017	2016
	%	%	€m	€m
USD strengthening vs CHF	**8%**	10%	**109**	70
JPY strengthening vs CHF	**9%**	11%	**(26)**	(39)
HKD strengthening vs CHF	**8%**	10%	**(49)**	(86)
SGD strengthening vs CHF	**7%**	9%	**(11)**	(12)
CHF strengthening vs EUR	**6%**	8%	**(147)**	(201)
AED strengthening vs CHF	**8%**	10%	**(33)**	(41)
GBP strengthening vs CHF	**8%**	13%	**(6)**	(12)
TWD strengthening vs CHF	**8%**	12%	**1**	(11)
KRW strengthening vs CHF	**10%**	14%	**–**	(29)
CNY strengthening vs CHF	**7%**	13%	**(26)**	(31)

	Change in rate		Profit or loss	
	2017	2016	2017	2016
	%	%	€m	€m
USD weakening vs CHF	**8%**	10%	**(113)**	(86)
JPY weakening vs CHF	**9%**	11%	**20**	29
HKD weakening vs CHF	**8%**	10%	**40**	69
SGD weakening vs CHF	**7%**	9%	**9**	9
CHF weakening vs EUR	**6%**	8%	**147**	205
AED weakening vs CHF	**8%**	10%	**27**	31
GBP weakening vs CHF	**8%**	13%	**4**	9
TWD weakening vs CHF	**8%**	12%	**(1)**	7
KRW weakening vs CHF	**10%**	14%	**(1)**	21
CNY weakening vs CHF	**7%**	13%	**21**	22

(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 2017 and 2016 is considered to be minimal, due to the high credit quality of the underlying investments.

31. Financial instruments: fair values and risk management continued

31.2. 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 2017 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 2017 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 € 10 million in the year to 31 March 2017 (2016: € 10 million decrease). Should the floating rate increase/(decrease) by 11% 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) € 5 million (2016: rate increase/(decrease) by 18%: impact of profit before tax plus/(minus) € 6 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 € 35 million (2016: € 20 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) € 37 million (2016: plus/(minus) € 39 million), all other variables remaining constant. The analysis is performed on the same basis as for 2016.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. 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 US dollar- denominated externally managed funds.

At 31 March 2017 the Group had € 3 481 million invested in euro- and USD-denominated money market and externally managed funds (2016: € 3 247 million) and € 4 450 million held as cash at bank (2016: € 4 569 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.

Notes to the consolidated financial statements continued

31. Financial instruments: fair values and risk management continued

31.2. Financial risk factors continued

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**	**–**

31 March 2016	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	456	579	82	6	24	467
Other long-term financial liabilities	124	118	–	–	59	59
Trade and other payables	1 404	1 404	1 404	–	–	–
Bank overdrafts	2 021	2 021	2 021	–	–	–
	4 005	4 122	3 507	6	83	526
Derivative financial liabilities						
Currency forwards	51	1 459	1 057	402	–	–
Forward starting interest rate swap	20	20	–	–	–	20
Cross-currency swap	22	378	4	374	–	–
	93	1 857	1 061	776	–	20

31.3. 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.

The Group does not apply hedge accounting to its hedging activities.

The fair values of various derivative instruments are disclosed in note 16.

31. Financial instruments: fair values and risk management continued

31.4. 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 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)**

	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 2016					
Trade receivables	8	(3)	5	–	5
Cash at bank and on hand	2 124	–	2 124	(1 851)	273
Derivative assets	41	–	41	(31)	10
	2 173	(3)	2 170	(1 882)	288
Trade payables	(69)	3	(66)	–	(66)
Bank overdrafts	(1 851)	–	(1 851)	1 851	–
Derivative liabilities	(93)	–	(93)	31	(62)
	(2 013)	3	(2 010)	1 882	(128)

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.

31.5. 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 ordinary 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% (2016: 15%).

There were no changes in the Group's approach during the year.

The Group is not subject to any externally imposed capital requirements.

32. Financial commitments and contingent liabilities

At 31 March 2017 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. 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	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Within one year	**635**	578	**7**	12	**642**	590
Between two and five years	**1 359**	1 284	**8**	19	**1 367**	1 303
Thereafter	**1 116**	1 076	**1**	6	**1 117**	1 082
	3 110	2 938	**16**	37	**3 126**	2 975

33. Business combinations

During the year to 31 March 2017 no business combinations were concluded. An amount of € 3 million, relating to deferred consideration for business combinations completed in prior periods, was settled during the year.

34. Assets held for sale and discontinued operations

(a) Disposal groups held for sale

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 will contribute its controlling interest in its subsidiary, Manufacture Cartier Lunettes, to Kering Eyewear.

The transaction is expected to conclude in May 2017. The assets and liabilities of Manufacture Cartier Lunettes, which are included within the Jewellery Maisons' segment (note 5), have been classified as Held for Sale at 31 March 2017, as follows:

	2017 €m	2016 €m
Property, plant and equipment	**8**	–
Deferred tax assets	**1**	–
Inventories	**8**	–
Trade and other receivables	**2**	–
Assets of disposal group held for sale	**19**	–
Post-retirement benefit obligations	**(2)**	–
Trade and other payables	**(4)**	–
Accruals and deferred income	**(1)**	–
Liabilities of disposal group held for sale	**(7)**	–
Net assets of disposal group held for sale	**12**	–

A property with net book value of € 2 million is also presented as Held for Sale at 31 March 2017. The sale of this property is expected to be completed in April 2017.

(b) Discontinued operations

On 31 March 2015, the Group announced that it had entered into a binding, conditional agreement to sell a controlling interest in The NET-A-PORTER GROUP, which was merged with YOOX S.p.A (a company registered in Italy) in an all-share transaction in which the Group received 50% of the share capital of the combined entity's listed parent company. The Group's voting rights were restricted to 25% of the total voting rights of the entity.

The sale was completed on 5 October 2015. The results of The NET-A-PORTER GROUP to 31 March 2016 were reported as a discontinued operation. The results of the subsidiary company held for sale (above) for the year to 31 March 2017 are not reported as discontinued operations as they do not represent a separate, major line of business.

	2017 €m	2016 €m
Sales	–	484
Expenses	–	(575)
Operating (loss)/profit	–	(91)
Finance costs	–	(6)
Finance income	–	–
Profit/(loss) before taxation of discontinued operations	–	(97)
Taxation	–	(3)
Loss after tax of discontinued operations	–	(100)
Gain on disposal	–	639
Profit/(loss) for the year from discontinued operations	–	539

35. 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 2017, 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)
- Various entities under the common control of the Rupert family's interests

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

	2017 €m	2016 €m
Goods and services bought from and other transactions with its equity-accounted investments:		
Rouages SA – purchase of watch components	**(5)**	(7)
Les Cadraniers de Genève SA – purchase of watch components	**(4)**	(3)
Ralph Lauren Watch & Jewelry Company Sàrl – purchase of finished goods	**(1)**	(4)
Ralph Lauren Watch & Jewelry Company Sàrl – waiver of interest	**(3)**	–
Schwab-Feller AG – purchase of watch components	**(1)**	(1)
Dalloz Pre-Setting SAS – purchase of finished goods	**(15)**	(12)
Services provided to equity-accounted investments:		
Laureus Sports Awards Limited – sponsorship	**(6)**	(3)
Laureus Sports for Good Foundation – donations	**(2)**	(1)
Goods and services sold to and other transactions with equity-accounted investments:		
YOOX-NET-A-PORTER S.p.A. – sale of finished goods	**37**	7
Montblanc India Retail Private Limited - sale of finished goods	**3**	–
Ralph Lauren Watch & Jewelry Company Sàrl – sale of watch components	**1**	–
Ralph Lauren Watch & Jewelry Company Sàrl – interest	**–**	1
Ralph Lauren Watch & Jewelry Company Sàrl – management and service fees	**6**	4
Payables outstanding at 31 March:		
Dalloz Pre-Setting SAS – purchase of finished goods	**(1)**	(1)
Ralph Lauren Watch & Jewelry Company Sàrl – purchase of finished goods	**(1)**	–
Laureus World Sports Awards Limited – sponsorship	**(1)**	(1)
Receivables outstanding at 31 March:		
YOOX-NET-A-PORTER S.p.A. – sale of finished goods	**5**	3
Ralph Lauren Watch & Jewelry Company Sàrl – trading	**8**	4
Laureus Sports Awards Limited – sponsorship	**4**	–
Dalloz Pre-Setting SAS – loan	**2**	–
Fook Ming Watch Limited – loan	**6**	4
Ralph Lauren Watch & Jewelry Company Sàrl – loan	**54**	50

In the statement of financial position the loan to Ralph Lauren Watch & Jewelry Company Sàrl is recorded at € 0 million (2016: € 3 million). For equity-accounting purposes the long-term loan is considered part of the investment. The Group's share of losses of Ralph Lauren Watch & Jewelry Company Sàrl are offset against the receivable.

The loan to Ralph Lauren Watch & Jewelry Company Sàrl is at market comparable rates and has no fixed repayment date.

35. Related-party transactions continued

(b) Transactions and balances between the Richemont Group and entities under common control

	2017 €m	2016 €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**	–

	2017 €m	2016 €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)**	–

(c) Individuals

During the year the Group gave donations of € 0.2 million (2016: € 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 € 0.8 million (2016 € 0.8 million) from Group companies for advice on legal and taxation matters.

In addition to his non-executive director's fee, the Duke of Wellington received fees and other benefits totalling less than € 0.1 million (2016: € 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.

Mr Alain-Dominique Perrin and Mr Norbert Platt provided consultancy services to the Group in addition to their duties as non-executive directors. During the year to 31 March 2017, Mr Perrin received € 1.1 million and Mr Platt received € 0.1 million (2016: € 2.3 million and € 0.1 million respectively) for the services provided. The amount for Mr Perrin relates to the period from 1 April 2016 to 14 September 2016, the date on which he stepped down as a Director. This fee is included in the individual disclosures of key management compensation as short-term employee benefits.

(d) Key management compensation

	2017 €m	2016 €m
Salaries and short-term employee benefits	**14**	16
Short-term incentives	**4**	8
Long-term benefits	**2**	5
Post-employment benefits	**2**	2
Share option expense	**10**	6
Employer social security	**1**	1
	33	38

35. 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 and comprises the Group's Chief Executive Officer, its Chief Financial Officer and the Chief Executive Officer of Cartier. 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	Non-Executive Deputy Chairman
Josua Malherbe	Non-Executive Deputy Chairman
Richard Lepeu	Chief Executive Officer
Gary Saage	Chief Financial Officer
Cyrille Vigneron[2]	Chief Executive Officer Cartier
Jean-Blaise Eckert	Non-Executive Director
Bernard Fornas	Non-Executive Director
Ruggero Magnoni	Non-Executive Director
Jeff Moss[2]	Non-Executive Director
Simon Murray	Non-Executive Director
Guillaume Pictet	Non-Executive Director
Alain Dominique Perrin[1]	Non-Executive Director
Norbert Platt	Non-Executive Director
Alan Quasha	Non-Executive Director
Maria Ramos	Non-Executive Director
Lord Renwick of Clifton	Independent Lead Director
Jan Rupert	Non-Executive Director
Jürgen Schrempp	Non-Executive Director
Duke of Wellington	Non-Executive Director
Members of the Senior Executive Committee	
Richard Lepeu	Chief Executive Officer
Gary Saage	Chief Financial Officer
Cyrille Vigneron	Chief Executive Officer Cartier

1. Until 14 September 2016.
2. From 14 September 2016.

Stock 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 stock 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 2016	Granted in year	Exercised in year	Cancelled in year	31 March 2017	Weighted average grant price CHF	Earliest exercise period	Latest expiry date
Board of Directors								
Richard Lepeu	1 395 125	150 000	455 958	18 333	**1 070 834**	76.61	Apr 2017-Jul 2021	June 2025
Gary Saage	778 667	120 000	–	10 000	**888 667**	72.88	Apr 2017-Jul 2021	June 2025
Jan Rupert	143 126	–	45 000	–	**98 126**	21.20	Apr 2017	June 2017
	2 316 918	270 000	500 958	28 333	**2 057 627**			

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% for members of the Senior Executive Committee.

The options held by Mr Jan Rupert, a non-executive director, were awarded to him in his previous role as an executive director of the Company.

35. Related-party transactions continued

d) Key management compensation continued

Share ownership

As at 31 March 2017 members of the Board and parties closely linked to them owned a total of 662 735 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 2017. The interest of individual directors and members of the Senior Executive Committee in Richemont 'A' shares is as follows:

	at 31 March 2017	at 31 March 2016
Board of Directors		
Jean-Blaise Eckert	**1 120**	1 120
Bernard Fornas	**6 348**	6 348
Yves-André Istel	**14 000**	14 000
Richard Lepeu	**571 987**	571 987
Ruggero Magnoni	**2 000**	2 000
Simon Murray	**5 400**	–
Guillaume Pictet	**5 380**	5 380
Norbert Platt	**1 000**	1 000
Alan Quasha	**1 000**	1 000
Maria Ramos	**500**	500
Lord Renwick of Clifton	**5 500**	5 500
Jan Rupert	**3 000**	3 000
Gary Saage	**8 000**	8 000
Cyrille Vigneron	**12 500**	–
Duke of Wellington	**25 000**	25 000
	662 735	644 835

Following the decision of the Annual General Meeting on 14 September 2016 to pay dividends of CHF 1.70 per 'A' registered share and CHF 0.17 per 'B' registered share, dividends of CHF 94 786 768 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 2017.

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 2017 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.

36. Share-based payment

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.

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 2015	51.04	10 012 905
Granted	83.30	1 229 526
Exercised	28.08	(1 635 722)
Lapsed	73.38	(184 534)
Balance at 31 March 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**

Of the total options outstanding at 31 March 2017, options in respect of 3 878 720 shares (2016: 3 840 384 shares) had vested and were exercisable.

The weighted average share price at the date of exercise for options exercised during the year was CHF 70.26 (2016: CHF 74.38).

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% 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 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**
31 March 2016	CHF 32.79	382 138	0.2 years
	CHF 21.20	1 275 165	1.2 years
	CHF 23.55	1 240 547	2.2 years
	CHF 54.95	1 338 367	4.2 years
	CHF 57.45	1 594 700	5.2 years
	CHF 90.11	1 151 306	6.2 years
	CHF 94.00	1 222 926	7.2 years
	CHF 83.80	1 217 026	8.2 years

The fair value of options granted during the year determined using the Binomial model was CHF 13.54. The significant inputs to the model were the share price of CHF 56.55 at the grant date, the exercise price shown above, a standard deviation of expected share price returns of 31%, an expected option life of five years, a dividend yield of 3.0% 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.

36. Share-based payment continued

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 May 2015 of CHF 17.37 was revalued following the AGM in September 2016 at CHF 5.62. The estimated fair value of options awarded to members of the SEC in the year ended 31 March 2017 is based on the valuation at the award date of May 2016. Changes in the fair value of these options between the award date and 31 March 2017 are not significant to the Group. The final fair value will be fixed in September 2017 following approval by shareholders.

The amount recognised in profit or loss before social security and taxes for equity-settled share-based payment transactions was € 30 million (2016: € 24 million).

37. 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.

38. Events after the reporting period

A dividend of CHF 1.80 per share is proposed for approval at the Annual General Meeting of the Company, to be held on 13 September 2017. 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 2017.

39. 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				
China	Shanghai	Richemont Commercial Company Limited	100.0%	CNY 2 982 700
France	Paris	Société Cartier	100.0%	€ 25 334
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
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

Transactions with non-controlling interests

During the year ended 31 March 2016, the Group acquired the outstanding ordinary shares of The NET-A-PORTER GROUP Limited and Manufacture Roger Dubuis SA for € 124 million and € 26 million, respectively. Immediately prior to the purchases, the carrying amount of non-controlling interests was € 2 million. The Group recorded a decrease in equity attributable to owners of the company of € 24 million as a result of this transaction. At 31 March 2017, there are no further non-controlling interests in any of the Group's subsidiaries.

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 2017 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 64 to 117) give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 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: € 79.3 million

We conducted a full scope audit at 45 reporting units, which brought a coverage of 91% of total revenue and 94% of total assets.

As key audit matters the following areas of focus have been identified:

Provision for uncertain tax positions

Inventory provisions

Changes in the UK defined benefit pension plan

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 16 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	€ 79.3 million
How we determined it	4.5% of operating profit.
Rationale for the materiality 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 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 (€ 365 m at 31 March 2017) 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, audited management's process to assess the risk of tax payments and assessments in the jurisdictions because of potential challenges to the tax returns or positions as well as the determination of the provision when applicable. For a sample, we tested transactions with transfer pricing risks and risks of an adverse tax audit result for certain entities to check that an appropriate level of provision level representing the most likely outcome and any related penalty and interest is booked. To perform our testing, we examined 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 explained in the 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 € 649 m at 31 March 2017. 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 then tested the appropriateness of other provisions on finished goods and raw materials and work in progress. No significant finding were identified from the detailed testing. The additional analytics performed at consolidated level corroborated those results. We ensured the principles of the inventory provision rules were consistent between Maisons and comply with accounting standards rules. Overall, we deem the provision booked for the risk of inventory write-downs to be a reasonable estimate.

Changes in the UK defined benefit pension plan

Key audit matter	*How our audit addressed the key audit matter*
During the year the Group consulted with members of its UK defined benefit plan and agreement was reached to close the plan to future accrual from March 31, 2017 by, linking member's benefits to inflation rather than pensionable salaries. Additionally, members approved that the plan trustee could enter into a full ''buy-in'' agreement with an insurance company. The insurer will now meet all benefits due to members of the plan in return for a premium that was largely settled by a contribution of Euro 268m paid from the Group. The changes in benefits, the contribution paid, the new insurance contract asset valuation and the updated financial assumptions, primarily in the discount rate applied, generated significant fluctuations in the fair value of plan assets and net liabilities and led to significant amounts to be recognized in the consolidated statement of comprehensive income, primarily in other comprehensive income. Refer to note 20 – Employee Benefits Obligation	Specific audit procedures to address the financial impact and presentation of these significant changes were performed as described below. • We reviewed with the support of a financial reporting specialist, experienced in similar buy in transactions, memoranda prepared by the Group and its actuary relating to the transaction, the proposed accounting treatment and relevant accounting literature • We reviewed all significant and relevant contracts, agreements and minutes and discussed the changes with pension plan trustees to ensure our understanding and accounting memoranda were complete and accurate • We extended the scope of our actuarial audit expert's review of the actuarial report, to specifically consider the appropriateness of the impacts of the buy in transaction, changes in benefits, the reasonableness of adjustments made to key assumptions and to assess the accuracy of the curtailment gain on the closure of the plan to future accrual • We validated the Euro 268m cash contributed into the pension scheme to fund the buy-in transaction and corroborated plan asset valuations at the date of the transaction • We assessed, supported by our tax specialists, the appropriateness of the calculation and classification of related tax implications. We deem the accounting and disclosures for UK pension plan changes to be appropriate and the financial impact to be reasonably estimated.

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, 11 May 2017

Company financial statements

Compagnie Financière Richemont SA

Income statement

for the year ended 31 March

	Notes	2017 CHFm	2016 CHFm
Operating income			
Dividend income		**1 009.1**	1 510.1
		1 009.1	1 510.1
Operating expense			
General expenses	*3,4*	**11.1**	5.5
		11.1	5.5
Operating profit		**998.0**	1 504.6
Non-operating income/(expense)			
Financial income	*5*	**22.0**	17.0
Financial expenses	*5*	**(6.1)**	(9.0)
Other non-operating income		**–**	0.3
		15.9	8.3
Profit before taxes		**1 013.9**	1 512.9
Direct taxes		**2.5**	1.9
Net profit		**1 011.4**	1 511.0

Balance sheet

at 31 March

	Notes	2017 CHFm	2016 CHFm
Current assets			
Cash and cash equivalents		**925.1**	1 110.3
Other receivables		**0.7**	0.4
Taxation		**2.4**	2.6
Current accounts receivable from Group companies		**2 937.8**	3 245.3
		3 866.0	4 358.6
Long-term assets			
Long-term loans receivable from a Group company		**175.1**	176.2
Investments	*6*	**3 713.2**	3 163.2
		3 888.3	3 339.4
Total assets		**7 754.3**	7 698.0
Current liabilities			
Bank overdraft		**68.0**	64.4
Current accounts payable to Group companies		**2.5**	2.2
Accounts payable and accrued expenses		**0.4**	0.4
		70.9	**67.0**
Long-term liabilities	*7*	**–**	0.4
		70.9	67.4
Shareholders' equity			
Share capital	*8*	**574.2**	574.2
Statutory legal reserve	*9*	**117.6**	117.6
Reserve for own shares	*10*	**622.6**	601.0
Retained earnings	*11*	**6 369.0**	6 337.8
		7 683.4	7 630.6
Total equity and liabilities		**7 754.3**	7 698.0

Compagnie Financière Richemont SA

Notes to the Company financial statements

at 31 March 2017

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 2017 and the results of its operations for the year then ended, prepared in accordance with Swiss law and the Company’s articles of incorporation.

Application of the new Swiss Accounting Law

The revised Swiss Code of Obligations (Articles 957 to 963b CO) has been implemented as of 1 April 2015 with retroactive application. No restatement of prior periods was necessary; however, certain items of the balance sheet and income statement have been reclassified to conform to the current presentation.

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.

Retirement benefit obligations

Retirement benefit obligations represent the present value of the Company’s obligations to a pension scheme for certain employees of the Company less the fair values of the scheme’s assets, as calculated by independent actuaries using the unit credit method.

Note 3 – General expenses

General expenses include personnel costs of CHF 3.4 million (2016: CHF 0.5 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 35 to the consolidated financial statements and in the Compensation Report.

Note 5 – Financial income/Financial expenses

Financial income includes CHF 8.0 million of exchange gains incurred on loans receivable from a Group company. In 2016, financial expenses included CHF 2.8 million of exchange losses incurred on loans receivable from a Group company.

Notes to the Company financial statements continued

Note 6 – Investments

Company	Domicile	Purpose	% capital/voting rights	2017 CHFm	2016 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**	1 774.0
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	3 163.2

In addition, a list of significant direct and indirect subsidiaries can be found in note 39 to the consolidated financial statements.

Note 7 – Long-term liabilities

Long-term liabilities include retirement benefit obligations in the amount of CHF nil (2016: CHF 0.4 million).

Note 8 – Share capital

	2017 CHFm	2016 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 9 – Statutory legal reserve

The legal reserve of CHF 117.6 million (2016: CHF 117.6 million) is not available for distribution.

Note 10 – 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 1 760 000 'A' shares in the open market (2016: 1 790 000 'A' shares were purchased).

During the year 262 476 'A' shares (2016: 684 448 'A' shares) were sold to executives under the Richemont stock option plan by REBL and a further 1 750 684 'A' shares (2016: 1 375 749) were sold to a third party following the exercise of over-the-counter call options linked to the hedging programme.

At 31 March 2017, following these transactions, REBL held 9 362 700 Richemont 'A' shares (2016: 9 615 860) with a cost of CHF 622.6 million (2016: CHF 601.0 million). In terms of the reserve for own shares established in respect of purchased shares, a net amount of CHF 21.6 million has been transferred to the reserve (2016: CHF 49.4 million to the reserve) during the year.

Note 11 – Retained earnings

	2017 CHFm	2016 CHFm
Balance at 1 April	**6 337.8**	5 779.3
Dividend paid	**(958.6)**	(903.1)
Net transfer to reserve for own shares	**(21.6)**	(49.4)
Net profit	**1 011.4**	1 511.0
Balance at 31 March	**6 369.0**	6 337.8

Note 12 – Commitments and contingencies

At 31 March 2017 the Company had issued guarantees in favour of Group companies for credit facilities up to a maximum of CHF 1 131.8 million (2016: CHF 1 124.6 million).

The directors believe that there are no other contingent liabilities.

Compagnie Financière Richemont SA

Notes to the Company financial statements continued

Note 13 – 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 Jürgen Schrempp and Mr Ruggero Magnoni, non-executive directors of the Company, 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 2017.

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 2017, Richemont Securities SA held 82 499 345 Richemont 'A' shares (2016: 91 267 613 shares), representing some 16% (2016: 17%) 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 2017

	CHFm
Available retained earnings	
Balance at 1 April 2016	**6 337.8**
Dividend paid	**(958.6)**
Net transfer to reserve for own shares	**(21.6)**
Net profit	**1 011.4**
Balance at 31 March 2017	**6 369.0**

Proposed appropriation

The proposed ordinary dividend payable to Richemont shareholders will be CHF 1.80 per Richemont share. This is equivalent to CHF 1.80 per 'A' registered share in the Company and CHF 0.18 per 'B' registered share in the Company. It will be payable to Richemont shareholders on 22 September 2017, 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, 11 May 2017

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 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 124 to 128) as at 31 March 2017 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	€ 38 million, rounded
How we determined it	0.5% of total assets.
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 consolidated 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 consolidated 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, 11 May 2017

Five year record

Summary income statement	2013 * €m	2014 re-presented €m	2015 €m	2016 €m	2017 €m
Continuing operations					
Sales	10 150	10 023	10 410	11 076	**10 647**
Cost of sales	(3 631)	(3 532)	(3 534)	(3 958)	**(3 848)**
Gross profit	6 519	6 491	6 876	7 118	**6 799**
Net operating expenses	(4 093)	(4 064)	(4 206)	(5 057)	**(5 035)**
Operating profit	2 426	2 427	2 670	2 061	**1 764**
Net finance (costs)/income	(47)	72	(953)	2	**(160)**
Share of post-tax results of equity-accounted investments	(4)	(5)	(12)	(5)	**(34)**
Profit before taxation	2 375	2 494	1 705	2 058	**1 570**
Taxation	(370)	(415)	(369)	(370)	**(360)**
Profit from continuing operations	2 005	2 079	1 336	1 688	**1 210**
Profit/(loss) from discontinued operations	–	(12)	(2)	539	**–**
Profit for the year	2 005	2 067	1 334	2 227	**1 210**
Gross profit margin	64.2%	64.8%	66.1%	64.3%	**63.9%**
Operating profit margin	23.9%	24.2%	25.6%	18.6%	**16.6%**

Sales by business area					
Jewellery Maisons	5 206	5 438	5 657	6 048	**5 927**
Specialist Watchmakers	2 752	2 986	3 123	3 225	**2 879**
Other	2 192	1 599	1 630	1 803	**1 841**
	10 150	10 023	10 410	11 076	**10 647**

Sales by geographic region					
Europe	2 955	2 886	3 067	3 388	**3 068**
Middle East and Africa	656	705	841	975	**885**
Asia Pacific	4 162	4 139	4 100	3 937	**3 903**
Americas	1 473	1 405	1 588	1 745	**1 781**
Japan	904	888	814	1 031	**1 010**
	10 150	10 023	10 410	11 076	**10 647**

Sales by distribution channel					
Retail	5 440	5 223	5 436	6 142	**6 389**
Wholesale	4 710	4 800	4 974	4 934	**4 258**
	10 150	10 023	10 410	11 076	**10 647**

Sales by product line					
Watches	4 968	5 125	5 168	5 098	**4 340**
Jewellery	2 726	3 025	3 325	3 881	**4 160**
Leather goods	742	644	610	698	**779**
Writing instruments	370	347	361	382	**396**
Clothing and other	1 344	882	946	1 017	**972**
	10 150	10 023	10 410	11 076	**10 647**

* with the exception of 2014, prior years have not been re-presented for the reclassification of Net-A-Porter.

Operating results from continuing operations	2013 * €m	2014 re-presented €m	2015 €m	2016 €m	2017 €m
Jewellery Maisons	1 818	1 890	1 975	1 892	**1 682**
Specialist Watchmakers	733	778	730	520	**226**
Other	82	(29)	170	(94)	**110**
Operating contribution	2 633	2 639	2 875	2 318	**2 018**
Unallocated corporate costs	(207)	(212)	(205)	(257)	**(254)**
Operating profit from continuing operations	2 426	2 427	2 670	2 061	**1 764**

Free cash flow					
Operating profit from continuing operations	2 426	2 427	2 670	2 061	**1 764**
Operating profit/(loss) from discontinued operations	–	(8)	1	(91)	**–**
Depreciation, amortisation and other non-cash items	456	490	294	620	**161**
Increase in working capital	(938)	(34)	(578)	(171)	**(29)**
Other operating activities	(15)	(16)	(23)	(9)	**11**
Taxation paid	(361)	(365)	(660)	(446)	**(288)**
Net acquisition of non-current assets	(648)	(676)	(186)	(719)	**(592)**
Free cash flow	920	1 818	1 518	1 245	**1 027**

Per share information (IFRS)	2013 *	2014 re-presented	2015	2016	2017
Diluted earnings per share					
– from continuing operations	€ 3.595	€ 3.696	€ 2.359	€ 2.983	**€ 2.141**
– from discontinued operations	–	€ (0.020)	€ (0.003)	€ 0.952	**–**
	€ 3.595	€ 3.676	€ 2.356	€ 3.935	**€ 2.141**

	2013	2014	2015	2016	2017
Ordinary dividend per share	CHF 1.00	CHF 1.40	CHF 1.60	CHF 1.70	**CHF 1.80**
Closing market price:					
Highest price	CHF 80.50	CHF 95.55	CHF 94.35	CHF 86.85	**CHF 79.20**
Lowest price	CHF 48.40	CHF 68.15	CHF 69.90	CHF 60.75	**CHF 53.50**

Exchange rates	2013	2014	2015	2016	2017
Average rates					
€ : CHF	1.2099	1.2295	1.1777	1.0733	**1.0830**
€ : CNY	8.0986	8.2019	7.8584	7.0200	**7.3774**
€ : JPY	106.79	134.37	138.75	132.50	**118.75**
€ : US$	1.2877	1.3407	1.2688	1.1040	**1.0971**

Average number of employees	2013 *	2014 re-presented	2015	2016	2017
Switzerland	8 218	8 586	8 732	8 664	**8 270**
Rest of the world	19 448	18 200	19 592	20 146	**20 310**
	27 666	26 786	28 324	28 810	**28 580**

* with the exception of 2014, prior years have not been re-presented for the reclassification of Net-A-Porter.

Statutory information

Compagnie Financière Richemont SA

Registered office

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

Registrar

Computershare Schweiz AG
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Tel: +41 (0) 62 205 7700
E-mail: share.register@computershare.com

Auditor

PricewaterhouseCoopers SA
50 avenue Giuseppe-Motta
1202 Geneva
Switzerland

Secretariat contact

Matthew Kilgarriff
Company Secretary

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Investor and Media contact

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Group Corporate Communications Director

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IR Executive

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

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 Wednesday, 13 September 2017.

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. Re-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 2017, which are all contained in the Richemont Annual Report and Accounts 2017, will be available for inspection at the registered office of the Company from 19 July 2017 onwards. Printed versions of all such documents will be sent to shareholders upon request. The Richemont Annual Report and Accounts 2017 is also available on the Company's website at www.richemont.com/investor-relations/reports

Shareholders entered in the share register, with the right to vote, by Monday, 4 September 2017 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 Friday, 8 September 2017. 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.

For the Board of Directors:

Johann Rupert	**Gary A. Saage**
Chairman	**Chief Financial Officer**

Notes

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