RICHEMONT

Interim Report 2018

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Financial highlights

- YOOX NET-A-PORTER GROUP (‘YNAP’) and Watchfinder.co.uk (‘Watchfinder’) consolidated in the Group’s accounts since 1 May and 1 June 2018, respectively
- Group sales increased by 21% at actual exchange rates to € 6 808 million and by 24% at constant exchange rates
- Online retail* sales, now reported separately, amounted to 14% of Group sales
- Excluding YNAP and Watchfinder, sales rose by 6% at actual exchange rates and by 8% at constant exchange rates
    - Growth in most regions and all business areas
    - Double-digit growth in the Group’s directly operated boutiques, led by watches and jewellery
- Operating profit of € 1 130 million, down € 36 million following acquisition and disposal-related charges of € 159 million. Excluding impact of first-time consolidation of YNAP and Watchfinder, operating margin improved to 21.1%
- Profit for the period rose to € 2 253 million primarily due to a post-tax non-cash gain of € 1 378 million on the revaluation of YNAP shares held prior to buy-out
- Net cash position of € 1 584 million following acquisitions of YNAP and Watchfinder

Key financial data (unaudited)

	Six months ended 30 September 2018	Six months ended 30 September 2017 **re-presented	Change
Sales	**€ 6 808 m**	€ 5 620 m	+21%
Gross profit	**€ 4 256 m**	€ 3 680 m	+16%
Gross margin	**62.5%**	65.5%	-300 bps
Operating profit	**€ 1 130 m**	€ 1 166 m	-3%
Operating margin	**16.6%**	20.7%	-410 bps
Profit for the period	**€ 2 253 m**	€ 974 m	+131%
Earnings per A share/10 B shares, diluted basis	**€ 3.987**	€ 1.721	+132%
Cash flow generated from operations	**€ 733 m**	€ 1 108 m	-34%
Net cash position	**€ 1 584 m**	€ 4 610 m	€ -3 026 m

* Online retail regroups the sales of YNAP as well as the online sales portion of both Watchfinder and the Group’s Maisons.

** Prior-period comparatives have been re-presented to include royalty income received within total sales.

Chairman's commentary

During the past six months, Richemont strengthened its portfolio with two strategic investments aimed at offering our discerning and globally dispersed clientele more options in how, when and where they engage with and purchase from our Maisons. We now fully own YOOX NET-A-PORTER, the leading online luxury retailer, and Watchfinder, a leading omni-channel platform for premium pre-owned timepieces. As part of the continual assessment of our portfolio, we divested Lancel. These strategic changes have had a material impact on our operating profit and net cash position in the period under review.

Serving our customers is our priority. At the same time, Richemont will ensure that YNAP remains committed to offering brand partners and their clients the best service and we are determined that YNAP remains the neutral, open and compelling go-to destination for online luxury.

More recently, on 26 October 2018, we announced a strategic partnership with Alibaba Group, the preferred online marketplace for Chinese consumers, aiming at becoming a significant and sustainable online destination in luxury shopping for the important Chinese clientele. YNAP and Alibaba will establish a joint venture to bring the in-season offerings of YNAP to Chinese consumers, be it in China or whilst travelling abroad. This new chapter in the history of Richemont reflects the potential we see in China and the confidence we have in Alibaba with whom we share an ambition to set new standards for the future of luxury online, for the benefit of YNAP's brand partners and customers as well as our Maisons and their clients.

Over the six-month period ended 30 September 2018, sales increased by 21% at actual rates to € 6.81 billion. Excluding YNAP and Watchfinder, collectively the Online Distributors, sales for the period grew by 6% at actual exchange rates and by 8% at constant exchange rates.

Excluding Online Distributors, sales growth was primarily driven by strong performance of the Jewellery Maisons and double-digit increases in the Maisons' directly operated boutiques and online stores. Robust retail sales in jewellery and watches more than offset a 2% decline in wholesale sales, which was mainly due to the Specialist Watchmakers' ongoing prudent inventory management and upgrade of the wholesale distribution network. Excluding Online Distributors, all regions with the exception of Middle East and Africa enjoyed higher sales, with notable double-digit increases in Hong Kong, Korea and the USA.

In our Jewellery Maisons, watch sales grew strongly in Cartier's stores, benefiting from the successful Panthère and relaunched Santos collections. Jewellery pieces continued to outperform, notably with the iconic Cartier Love and Van Cleef & Arpels Alhambra collections. The muted sales growth of the Specialist Watchmakers reflected the previously mentioned initiatives. Here, retail was strong and overall there was good momentum at Vacheron Constantin, Roger Dubuis and Jaeger-LeCoultre. Most of our Maisons grouped under 'Other' saw higher sales, led primarily by Montblanc and Peter Millar.

The 3% reduction in operating profit to € 1.13 billion reflected an increase in costs which more than offset the improvement in gross profit. These higher costs were primarily attributable to the first-time consolidation of Online Distributors and their related acquisition charges as well as disposal-related charges. The operating margin decreased to 16.6%, but improved to 21.1% excluding Online Distributors.

Profit for the period rose to € 2.25 billion, primarily due to a post-tax non-cash gain of € 1.38 billion on the revaluation of existing YNAP shares. Net cash amounted to € 1.58 billion at 30 September 2018 after a € 3.75 billion cash outflow related to the YNAP and Watchfinder acquisitions and dividend payment.

Richemont's governance structure continued to evolve with the appointments of Mr Jérôme Lambert to the role of Group Chief Executive Officer and Mr Eric Vallat to the newly created role of Head of Fashion & Accessories Maisons.

Amidst growing volatility in consumer demand, partly attributable to an uncertain economic and geopolitical environment, we maintain confidence in our ability to realise our long-term ambitions, supported by the strength of our balance sheet.

Our ambition remains to ensure that we continue to create, manufacture and sell exquisite products with a high level of beauty, craftsmanship, patrimony and passion while maintaining continued engagement, relevance and appeal for our clients.

Johann Rupert
Chairman

Compagnie Financière Richemont SA
Geneva, 9 November 2018

Financial review

The results of newly acquired YNAP and Watchfinder have been included in the Group's financial statements with effect from 1 May and 1 June 2018, respectively. They are grouped under Online Distributors, a newly formed business area. The acquisition and first-time consolidation of Online Distributors has had a material impact on sales, operating profit, cash flow and net cash. Online retail, the newly reported distribution channel, regroups the sales of YNAP as well as the online sales portion of both Watchfinder and the Group's Maisons. Retail now incorporates only sales from the Group's directly operated boutiques.

Sales

In the six-month period, sales increased by 21% at actual exchange rates and by 24% at constant exchange rates.

Excluding YNAP and Watchfinder, sales for the period increased by 8% at constant exchange rates, with most regions posting higher sales. This was led by double-digit progression in the Americas and in Asia Pacific, the latter benefiting from strong performances in Hong Kong, Korea and Macau. The Group's directly operated boutiques saw double-digit growth, both in jewellery and watches. Wholesale sales were 1% higher compared with the prior-year period. The wholesale performance reflected the optimisation of external points of sales and the Group's ongoing focus on aligning inventories with end-client demand.

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

Gross profit

Gross profit increased by 16% to € 4 256 million. The consolidation of YNAP and Watchfinder has diluted the Group's gross margin to 62.5% versus 65.5% in the prior-year period.

Excluding Online Distributors, gross margin progressed to 66.6%. The 110 basis point improvement related in part to manufacturing efficiency gains, a larger share of online and offline retail and, overall, supportive currencies.

Operating profit

The € 36 million reduction in operating profit to € 1 130 million reflected higher sales and gross profit, but also higher costs, as detailed below. Operating margin was 16.6% compared to 20.7% a year ago. Excluding the consolidation of YNAP and Watchfinder, operating margin for the period improved to 21.1%.

The 24% increase in total operating expenses included € 159 million of acquisition and disposal-related charges. These charges can be broken down into € 77 million one-time charges, primarily attributable to the disposal of Lancel, and € 82 million charges principally related to the amortisation of YNAP and Watchfinder's intangible assets identified on acquisition. Excluding Online Distributors, total operating expenses grew by 8% and, when excluding the above one-time charges, operating expense growth was limited to 4%.

The 10% increase in selling and distribution expenses resulted mainly from the consolidation of Online Distributors. Excluding those businesses, the increase in selling and distribution expenses was limited to 4% compared to the prior-year period. Communication expenses rose by 17%, largely explained by the integration of Online Distributors and, to a lesser extent, by communication initiatives by the Jewellery Maisons. Fulfilment expenses of € 91 million at the Online Distributors were recorded in the period. Administration costs grew by 34%, again mainly driven by the first-time consolidation of the Online Distributors and, at the Group's Maisons, by expenditure in IT and digital initiatives. Other operating expenses include the previously mentioned acquisitions and disposal-related charges.

Profit for the period

Profit for the period rose by 131% to € 2 253 million. The increase reflected the € 1 378 million post-tax non-cash accounting gain on the revaluation of existing YNAP shares. Excluding this amount, profit for the period was € 875 million, a 10% decline following the previously mentioned acquisition and disposal-related charges. Net finance costs for the period amounted to € 47 million, compared to a € 72 million net income in the prior-year period. Unfavourable foreign exchange movements on monetary items led to a net loss of € 38 million, compared to an € 84 million net gain in the prior-year period. In addition, finance costs in the period included € 35 million of interest expense relating to the corporate bond issued in March 2018.

Earnings per share (1 A share/10 B shares) increased by 132% to € 3.987 on a diluted basis.

To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the period ended 30 September 2018 would be € 932 million (2017: € 1 000 million). Basic HEPS for the period was € 1.653 (2017: € 1.773). Diluted HEPS for the period was € 1.649 (2017: € 1.767). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 11.3 of the Group's condensed consolidated interim financial statements.

Cash flow

Cash flow generated from operating activities amounted to € 733 million, a reduction of € 375 million compared to the prior-year period. This year-on-year decrease reflected a higher absorption of cash for working capital needs, primarily related to higher inventories both at our Maisons and newly acquired businesses.

Net investment in tangible fixed assets during the period amounted to € 201 million, predominantly relating to the renovation and relocation of existing boutiques in the Maisons' store network, upgrades of external points of sale with our multi-brand retail partners and the further investment into the Group's central logistics centre in Switzerland. The Group also continued to invest in IT infrastructure, including in YNAP's enterprise platform.

The 2018 dividend of 1.90 per share (1 A share/10 B shares) was paid to shareholders and to South African Depository Receipt holders, net of withholding tax, in September. The 35% withholding tax on all dividends was remitted to the Swiss tax authorities in September. The overall dividend cash outflow in the period amounted to € 926 million.

The Group acquired 2.3 million 'A' shares during the six-month period 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 related to the hedging programme, leading to a net outflow of € 74 million.

Balance sheet

At 30 September 2018, and after the inclusion of Online Distributors, inventories of € 6 014 million were € 1 071 million higher than at 31 March 2018. Excluding Online Distributors, inventories represented 22 months of cost of sales.

At 30 September 2018, the Group's net cash position amounted to € 1 584 million. This position was € 3 685 million lower than at 31 March 2018, primarily due to the completion of the YNAP and Watchfinder acquisitions and the annual dividend payment, which altogether resulted in a total cash outflow of € 3 751 million. The Group's net cash position includes highly liquid, highly rated money market funds, short-term bank deposits and short-duration bond funds, primarily denominated in Swiss francs, euros and US dollars.

Acquisition of the YOOX NET-A-PORTER GROUP

In March 2018, Richemont launched a voluntary tender offer for all issued and to be issued ordinary shares of YNAP that the Group or its affiliates did not already own. On 10 May 2018, Richemont announced that the offer had become unconditional. During May and June, control of all of the remaining shares was obtained through sell-out and squeeze-out procedures. On 20 June 2018, delisting of YNAP from the Milan Stock Exchange became effective.

As announced on 18 May 2018, Richemont has booked a post-tax non-cash accounting gain of approximately € 1.4 billion on its 49% equity-accounted interest in YNAP within 'Share of post-tax results of equity-accounted investments' in its financial statements for the half year ended 30 September 2018. The gain was generated by the differential between the fair value of Richemont's stake immediately before acquisition and the € 1.1 billion carrying value at the same date.

The completion of the YNAP acquisition has resulted in recognition of goodwill of € 2.9 billion. In addition, intangible assets amounting to € 2.4 billion were recognised following provisional completion of the acquisition accounting. The goodwill balance will be subject to annual impairment testing. The intangible assets will be amortised on a straight-line basis with useful life from 3-20 years, resulting in an annual amortisation charge currently estimated at € 180 million.

Review of operations

Sales by region

in € million	Six months to 30 September 2018	Six months to 30 September 2017 re-presented*	Change at Constant exchange rates**	Change at Actual exchange rates
Europe	**2 071**	1 637	+28%	+27%
Asia Pacific	**2 548**	2 175	+20%	+17%
Americas	**1 213**	891	+42%	+36%
Japan	**534**	479	+14%	+11%
Middle East and Africa	**442**	438	+4%	+1%
	6 808	5 620	+24%	+21%

* Prior-period comparatives have been re-presented to include royalty income received within total sales.

** Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2018.

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

Europe

With the first-time consolidation of YNAP and Watchfinder, both having a strong presence in Europe, sales in the region grew by 28%. Europe accounted for 30% of Group sales, compared to 29% a year ago. Excluding Online Distributors, sales in the region increased by 1% over the prior-year period, reflecting mixed performances in terms of markets, product lines and channels as well as the disposal of Lancel.

Increasing retail sales more than offset declining wholesale sales, which were impacted by tight management of inventory at the external points of sale of the Group's multi-brand retail partners and optimisation of the wholesale distribution network. Sales in the United Kingdom contracted following a double-digit increase in the prior-year period while sales in France and Switzerland increased.

Whereas watch sales were broadly in line with the prior-year period, jewellery sales enjoyed a double-digit increase. Sales development of the other product lines was varied.

Asia Pacific

Sales in Asia Pacific increased by 20% over the period, with the region accounting for the Group's largest sales share at 37% of Group sales.

Excluding YNAP and Watchfinder, the 14% increase in sales was driven by 20 net new store openings, high single-digit growth in mainland China and double-digit increases in other main markets, notably Hong Kong, Macau and Korea. Both the retail and wholesale channels saw double-digit growth, with strong performances in jewellery and watch sales.

Americas

The Americas posted a 42% increase in sales, benefiting from the inclusion of YNAP which has a strong customer base in the region. Excluding Online Distributors, sales grew by 13%, driven by higher sales in all product categories and distribution channels. The growth was led by jewellery, clothing and the retail channel.

The region's contribution to Group sales amounted to 18%, compared to 16% in the prior-year period.

Japan

The 14% growth in sales was driven by higher domestic and tourist spending, which benefited from a comparatively weaker yen. Excluding Online Distributors, sales in the region increased by 8%, led by a double-digit growth in watch sales and the net opening of five directly operated boutiques.

The country represented 8% of overall sales, in line with prior years.

Middle East and Africa

Middle East and Africa accounted for 7% of Group sales. The inclusion of Online Distributors led to a 4% increase in sales, with strong growth in writing instruments and clothing. Excluding YNAP and Watchfinder, sales in the region declined by 4%, adversely impacted by lower tourist spending, given unfavourable local currencies and geopolitical uncertainties.

Sales by distribution channel

in € million	Six months to 30 September 2018	Six months to 30 September 2017 re-presented*	Change at Constant exchange rates**	Change at Actual exchange rates
Retail	**3 557**	3 229	+13%	+10%
Online retail	**959**	64	–	–
Wholesale	**2 292**	2 327	+1%	-2%
	6 808	5 620	+24%	+21%

* Prior-period comparatives have been re-presented to include royalty income received within total sales and to consistently show online retail.

** Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current period and the comparative period at the average exchange rates applicable for the financial year ended 31 March 2018.

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

Retail

Retail sales increased by 13%, with growth in all regions, and double-digit increases in Asia Pacific, the Americas and Middle East and Africa. Growth was particularly strong at the Jewellery Maisons and the Specialist Watchmakers. Retail sales benefited from the internalisation of external points of sales in the Middle East in late calendar year 2017. The number of Maisons' directly operated boutiques was reduced by 33 to 1 090, mostly in relation to the disposal of Lancel.

The Maisons' directly operated boutiques contributed 52% of Group sales, compared to 57% in the prior-year period. The reduced contribution reflected the presentation of a new distribution channel, online retail, as detailed below.

Online retail

This newly reported distribution channel regroups the sales of YNAP (from May 2018 onwards) as well as the online sales portion of both Watchfinder (from June 2018 onwards) and the Group's Maisons. Online retail accounted for 14% of Group sales.

Wholesale

With the first-time consolidation of the newly acquired businesses, the contribution of the Group's wholesale business, which includes sales to franchise partners and multi-brand retail partners, stood at a third of Group sales, compared to 41% a year ago.

Overall, wholesale sales were 1% above the prior-year period, as growth in Asia Pacific, Japan and the Americas offset declines in other regions. An ongoing focus on aligning sell-in with sell-out and continued qualitative improvements in the watch wholesale network weighed on the Group's wholesale business. The Jewellery Maisons, Montblanc and the Fashion & Accessories Maisons saw higher wholesale sales in contrast to the Specialist Watchmakers.

Sales and operating results by business area

Jewellery Maisons

in € million	Six months to 30 September 2018	Six months to 30 September 2017 re-presented*	Change
Sales	**3 454**	3 164	+9%
Operating results	**1 167**	981	+19%
Operating margin	**33.8%**	31.0%	+280 bps

At actual exchange rates, the 9% sales increase at Cartier and Van Cleef & Arpels was driven by double-digit growth in jewellery and high single-digit growth in watches. Momentum at Cartier was sustained by jewellery and the Panthère and relaunched Santos watch collections and, at Van Cleef & Arpels, by the Alhambra collection's 50th anniversary launches. Performances in Asia Pacific, the Americas and at the Jewellery Maisons' directly operated boutiques were particularly strong.

Operating results improved by 19% compared to the prior-year period, primarily as a result of higher sales and manufacturing efficiency gains. Investments into Jewellery Maisons continued, notably in communication at Cartier for the relaunch of the Santos watch collection and at Van Cleef & Arpels to celebrate Alhambra's anniversary. Operating margin gained 280 basis points to 33.8%.

Specialist Watchmakers

in € million	Six months to 30 September 2018	Six months to 30 September 2017 re-presented*	Change
Sales	**1 550**	1 527	+2%
Operating results	**286**	294	-3%
Operating margin	**18.5%**	19.3%	-80 bps

Sales and operating results by business area continued

The Specialist Watchmakers' sales were 2% higher than in the prior-year period. Double-digit growth in directly operated boutiques more than offset lower wholesale sales, which were impacted by ongoing control of sell-in and distribution optimisation initiatives. Performance was varied across Maisons and regions, with good momentum at Vacheron Constantin, Roger Dubuis and Jaeger-LeCoultre and, regionally, in Asia Pacific.

Stock provisions, linked to the physical returns of inventory buy-backs, led to a 3% reduction in the operating result to € 286 million, notwithstanding a larger share of retail and tight cost control. Consequently, the operating margin for the period was down 80 basis points to 18.5%.

Online Distributors

in € million	Six months to 30 September 2018	Six months to 30 September 2017	Change
Sales	**893**	–	n/a
Operating results	**(115)**	–	n/a
Operating margin	**(12.9)%**	–	n/a

Sales of Richemont Maisons' own products made by YNAP are reported under both the Maisons and YNAP for business area reporting. In Group sales, these are eliminated as Intersegment sales. Sales for YNAP and for Watchfinder related to the period from 1 May and 1 June 2018, respectively.

Online Distributors recorded a € 115 million loss, mostly related to the amortisation of intangible assets recognised on acquisitions.

Other

in € million	Six months to 30 September 2018	Six months to 30 September 2017 re-presented*	Change
Sales	**935**	929	+1%
Operating results	**(46)**	6	n/a
Operating margin	**(4.9)%**	0.6%	-550 bps

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

Richemont's other businesses reported a 1% sales growth, partly impacted by the disposals of Lancel (June 2018) and Shanghai Tang (July 2017). Excluding the impact of such disposals, sales increased by a mid-single-digit rate. Almost all Maisons enjoyed growth, regionally driven by Europe and the Americas.

The € 46 million operating losses included the above mentioned one-time charges related to the disposal of Lancel.

Corporate costs

in € million	Six months to 30 September 2018	Six months to 30 September 2017	Change
Corporate costs	**(156)**	(115)	+36%
Central support services	**(113)**	(102)	+11%
Other operating income/(expense), net	**(43)**	(13)	

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 that are not allocated to specific segments. They were stable at circa 2% of Group sales on a year-on-year basis.

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

Jérôme Lambert
Chief Executive Officer

Burkhart Grund
Chief Finance Officer

Compagnie Financière Richemont SA
Geneva, 9 November 2018

Condensed consolidated balance sheet

	Notes	30 September 2018 €m	31 March 2018 *re-presented €m
Assets			
Non-current assets			
Property, plant and equipment		**2 506**	2 325
Goodwill	*6*	**3 344**	297
Other intangible assets	*7*	**2 776**	370
Investment property		**283**	222
Equity-accounted investments	*8*	**178**	1 308
Deferred income tax assets		**581**	604
Financial assets held at fair value through profit or loss	*19*	**10**	447
Financial assets held at fair value through other comprehensive income	*19*	**394**	–
Other non-current assets		**431**	401
		10 503	5 974
Current assets			
Inventories		**6 014**	4 943
Trade and other receivables		**1 558**	1 240
Derivative financial instruments		**41**	18
Financial assets held at fair value through profit or loss	*19*	**4 133**	5 057
Assets held for sale		**–**	19
Cash at bank and on hand		**6 535**	8 401
		18 281	19 678
Total assets		**28 784**	25 652
Equity and liabilities			
Equity attributable to owners of the parent company			
Share capital		**334**	334
Treasury shares		**(560)**	(520)
Hedge and share option reserves		**310**	302
Cumulative translation adjustment reserve		**2 283**	1 892
Retained earnings		**13 764**	12 623
		16 131	14 631
Non-controlling interests		**86**	7
Total equity		**16 217**	14 638
Liabilities			
Non-current liabilities			
Borrowings		**4 440**	4 288
Deferred income tax liabilities		**358**	8
Employee benefits obligations		**69**	68
Provisions		**52**	73
Other long-term financial liabilities		**211**	168
		5 130	4 605
Current liabilities			
Trade and other payables		**1 989**	1 634
Current income tax liabilities		**494**	359
Borrowings		**209**	4
Derivative financial instruments		**28**	90
Provisions		**282**	406
Liabilities of disposal groups held for sale		**–**	19
Bank overdrafts		**4 435**	3 897
		7 437	6 409
Total liabilities		**12 567**	11 014
Total equity and liabilities		**28 784**	25 652

* see note 2 for details

The notes on pages 12 to 31 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Notes	Six months to 30 September 2018 €m	Six months to 30 September 2017 *re-presented €m
Revenue	5	**6 808**	5 620
Cost of sales		**(2 552)**	(1 940)
Gross profit		**4 256**	3 680
Selling and distribution expenses		**(1 634)**	(1 490)
Communication expenses		**(567)**	(484)
Fulfilment expenses		**(91)**	–
Administrative expenses		**(671)**	(502)
Other operating expense	9	**(163)**	(38)
Operating profit		**1 130**	1 166
Finance costs	10	**(123)**	(53)
Finance income	10	**76**	125
Share of post-tax results of equity-accounted investments	8	**1 408**	(16)
Profit before taxation		**2 491**	1 222
Taxation	12	**(238)**	(248)
Profit for the period		**2 253**	974
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)		**–**	27
Tax on defined benefit plan actuarial gains/(losses)		**–**	(5)
Fair value changes on financial assets held at fair value through other comprehensive income		**(51)**	–
		(51)	22
Items that are or may be reclassified subsequently to profit or loss			
Currency translation adjustments			
– movement in the period		**387**	(858)
– reclassification to profit or loss		**3**	–
Reclassification of cash flow hedges to profit or loss		**2**	–
Share of other comprehensive income of equity-accounted investments	8	**1**	(5)
		393	(863)
Other comprehensive loss, net of taxation		**342**	(841)
Total comprehensive income		**2 595**	133
Profit attributable to:			
Owners of the parent company		**2 253**	974
Non-controlling interests		**–**	–
		2 253	974
Total comprehensive income attributable to:			
Owners of the parent company		**2 595**	133
Non-controlling interests		**–**	–
		2 595	133
Earnings per A share/10 B shares attributable to owners of the parent company during the period (expressed in € per share)			
Basic	11	**3.996**	1.727
Diluted	11	**3.987**	1.721

*see note 2 for details

The notes on pages 12 to 31 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

		Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Notes	Share capital €m	Treasury shares €m	Hedge and share option reserves €m	Cumulative translation adjustment reserve €m	Retained earnings €m	Total €m	€m	€m
Balance at 1 April 2017		334	(432)	327	3 004	12 296	15 529	–	15 529
Comprehensive income									
Profit for the period		–	–	–	–	974	974	–	974
Other comprehensive loss		–	–	–	(858)	17	(841)	–	(841)
		–	–	–	(858)	991	133	–	133
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares		–	(90)	–	–	10	(80)	–	(80)
Employee share option plan		–	–	13	–	–	13	–	13
Tax on share option plan		–	–	–	–	–	–	–	–
Increase in non-controlling interests		–	–	–	–	–	–	1	1
Dividends paid	*15*	–	–	–	–	(918)	(918)	–	(918)
		–	(90)	13	–	(908)	(985)	1	(984)
Balance at 30 September 2017		334	(522)	340	2 146	12 379	14 677	1	14 678
Balance at 1 April 2018		**334**	**(520)**	**302**	**1 892**	**12 623**	**14 631**	**7**	**14 638**
Comprehensive income									
Profit for the period		**–**	**–**	**–**	**–**	**2 253**	**2 253**	**–**	**2 253**
Other comprehensive income		**–**	**–**	**2**	**391**	**(51)**	**342**	**–**	**342**
		–	**–**	**2**	**391**	**2 202**	**2 595**	**–**	**2 595**
Transactions with owners of the parent company recognised directly in equity									
Net changes in treasury shares	*17*	**–**	**(40)**	**–**	**–**	**(34)**	**(74)**	**–**	**(74)**
Employee share option plan		**–**	**–**	**10**	**–**	**–**	**10**	**–**	**10**
Tax on share option plan		**–**	**–**	**(4)**	**–**	**–**	**(4)**	**–**	**(4)**
Changes in non-controlling interests		**–**	**–**	**–**	**–**	**(101)**	**(101)**	**79**	**(22)**
Dividends paid	*15*	**–**	**–**	**–**	**–**	**(926)**	**(926)**	**–**	**(926)**
		–	**(40)**	**6**	**–**	**(1 061)**	**(1 095)**	**79**	**(1 016)**
Balance at 30 September 2018		**334**	**(560)**	**310**	**2 283**	**13 764**	**16 131**	**86**	**16 217**

The notes on pages 12 to 31 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Notes	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Cash flows from operating activities			
Cash flow generated from operations	*13*	**733**	1 108
Interest received		**43**	36
Interest paid		**(43)**	(27)
Dividends received from equity-accounted investments		**36**	2
Dividends received from other investments		**13**	–
Taxation paid		**(135)**	(159)
Net cash generated from operating activities		**647**	960
Cash flows from investing activities			
Acquisition of subsidiary undertakings and other businesses, net of cash acquired	*20*	**(2 643)**	(45)
Disposal of subsidiary undertakings, net of cash disposed of		**(44)**	(14)
Acquisition of equity-accounted investments		**–**	(63)
Proceeds from disposal of, and capital distributions from, equity-accounted investments		**21**	17
Acquisition of property, plant and equipment		**(212)**	(139)
Proceeds from disposal of property, plant and equipment		**11**	3
Acquisition of intangible assets		**(67)**	(22)
Proceeds from disposal of intangible assets		**4**	1
Acquisition of investment property		**(62)**	(31)
Investment in money market and externally managed funds		**(3 484)**	(2 669)
Proceeds from disposal of money market and externally managed funds		**4 518**	2 682
Acquisition of other non-current assets and investments		**(25)**	(601)
Proceeds from disposal of other non-current assets and investments		**12**	3
Net cash used in investing activities		**(1 971)**	(878)
Cash flows from financing activities			
Proceeds from borrowings		**56**	51
Repayment of borrowings		**(46)**	(79)
Dividends paid	*15*	**(926)**	(918)
Payment for treasury shares	*17*	**(180)**	(141)
Proceeds from sale of treasury shares	*17*	**106**	69
Contribution received from non-controlling interests		**57**	–
Acquisition of non-controlling interests in a subsidiary	*20*	**(195)**	–
Capital element of finance lease payments		**(3)**	(1)
Net cash used in financing activities		**(1 131)**	(1 019)
Net change in cash and cash equivalents		**(2 455)**	(937)
Cash and cash equivalents at the beginning of the period		**4 504**	2 765
Exchange losses on cash and cash equivalents		**52**	(190)
Cash and cash equivalents at the end of the period		**2 101**	1 638

The notes on pages 12 to 31 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

1. General information

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

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

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 8 November 2018.

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 30 September 2018 have been prepared in accordance with International Accounting Standard ('IAS') 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018 which were prepared in accordance with International Financial Reporting Standards ('IFRS').

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2018.

Compared to the prior period, the following changes have been made to the condensed consolidated balance sheet:

- Prepayments, which were previously disclosed separately on the face of the balance sheet, are now included within Trade and other receivables.
- As a result of the adoption of IFRS 15 *Revenue from Contracts with Customers* (see note 3), the Group has separately recognised a sales return asset, being the inventory expected to be recovered when a customer exercises his right to return acquired products, and a provision for the amount expected to be refunded to the customer. Under the Group's previous accounting policies, the provision represented only the net impact of the expected return.

In the condensed consolidated income statement, revenue for the six-month period ended 30 September 2018 includes royalty income received, which had previously been presented within Other income/(expenses). Fulfilment expenses, which are presented separately for the first time following the acquisition of YOOX NET-A-PORTER GROUP S.p.A ('YNAP Group') and Watchfinder.co.uk Limited, relate to the cost of fulfilling e-commerce orders.

In all cases, the comparative figures have been re-presented for consistency with the current year presentation. There is no impact on net profit for the period.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those described in the consolidated financial statements for the year ended 31 March 2018.

Adoption of new accounting standards

The Group has adopted the following accounting standards with effect from 1 April 2018. No other amendments to IFRSs effective for the financial year ended 30 September have a material impact on the Group.

IFRS 15 *Revenue from Contracts with Customers*

The Group has adopted IFRS 15 for the first time in the year ended 31 March 2019. The financial statements for the period ended 30 September 2018 are impacted by the application of this standard, as compared to IAS 18 and related interpretations that were in effect before the change, as follows:

Accounting for sales returns

Previously, the Group recognised a provision for returns at the time of sale, based on the sales margin (€ 186 million at 31 March 2018). Revenue was adjusted for the expected value of the returns and cost of goods sold was adjusted for the value of the corresponding goods expected to be returned.

Under IFRS 15, a gross refund liability for the expected refunds to customers is recognised as an adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales. The costs to recover the products are not expected to be material.

As a result of this change in policy, the Group has recognised a sales return asset of € 59 million and a provision of € 161 million. Under the previous accounting policy, the sales return provision would have been € 102 million. There is no impact on the income statement, nor on opening retained earnings at 1 April 2018, as a result of this change.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

3. Accounting policies continued

Other impacts

No other changes to accounting policies as a result of the adoption of IFRS 15 have resulted in a signification change to the financial statements.

There is no impact on retained earnings as a result of the adoption of IFRS 15.

IFRS 9 *Financial Instruments*

The Group has adopted IFRS 9 for the first time in the year ending 31 March 2019. The standard has been applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. The financial statements for the period ended 30 September 2018 are impacted by the application of this standard, as compared to IAS 39 and related interpretations that were in effect before the change, as follows:

Classification of financial instruments

Certain investments in listed undertakings, which were previously classified as Fair Value through Profit & Loss under IAS 39, have been classified as Fair Value through Other Comprehensive Income following adoption of IFRS 9. This classification was deemed by management to be the most appropriate, given the strategic nature of the Group’s investment. The carrying value of these assets on the date of initial application was € 431 million.

Other impacts

No other changes to accounting policies as a result of the adoption of IFRS 9 have resulted in a signification change to the financial statements.

There is no impact on retained earnings as a result of the adoption of IFRS 9.

New accounting policies with effect from 1 April 2018

Revenue

The Group sells jewellery, watches, leather goods, readywear, writing instruments and other luxury goods on a worldwide basis through its retail, online retail and wholesale distribution channels and provides after-sales services for its products.

Revenue is recognised when the customer obtains control of the goods. For retail sales, which take place in the Group's network of internal boutiques, control is generally acquired when the customer takes physical possession of goods, at which time the Group has a right to receive payment for the asset and it is implicit that the customer has accepted it. In the case of online retail sales made directly to the end customer, sales are recorded when the goods are delivered to the customer, as the Group remains in control of, and is subject to the related risks of, the delivery process. Wholesale sales are made to distributors, wholesalers or external franchisees. For these sales, revenue is recognised when the wholesaler takes delivery of the shipment, in most cases after customs formalities have been cleared in the destination country. At this point, the customer is able to control the future use of the product, in terms of where and how it will be sold, and assumes the risk of obsolescence and loss. Revenue relating to after-sales services is recognised when the service has been completed.

The Group also receives royalty income arising from the use of its intellectual property by third parties, which is recognised over time. Sales-based royalties are recognised in line with sales made by the third-party licensee, with all other royalties recognised on a straight-line basis over the term of the licence agreement.

Revenue is measured net of value-added tax, duties, other sales taxes, rebates and trade discounts. Goods sold to wholesale customers are often sold with volume discounts based on total sales over a twelve month period or other similar criteria. Revenue from such contracts is recorded net of the estimated discount, based on the accumulated experience of the Group, using the expected value method, and recognised only to the extent that a significant reversal is not expected to occur. The Group does not have any contracts where the period between recognition of revenue and payment by the customer exceeds one year. As a consequence, the Group has not adjusted the transaction price for the time value of money.

Where there is a practice of agreement to customer returns, or where local legal requirements oblige, accumulated experience is used to estimate and provide for such returns at the time of sale.

The Group provides a standard warranty against manufacturing defects, and recognises its obligation for repairs under this warranty as a provision.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

3. Accounting policies continued

Financial assets

The classification of financial assets depends on the underlying business model of the investment and the characteristics of the contractual cash flows. The Group classifies its financial assets as follows:

(a) Financial assets held at fair value through other comprehensive income

A financial asset is classified in this category if it is a strategic investment, meaning that it is long term in nature and has not been undertaken with the objective of maximising short-term profits or dividends. The Group has designated certain investments in listed entities at Fair value through other comprehensive income. Investments are initially recognised at cost excluding transaction costs, which represents fair value. Fair value adjustments are included in other comprehensive income in the period in which they arise.

(b) Financial assets at amortised cost

This category includes non-derivative financial assets held in order to collect contractual cash flows. These primarily include trade and other receivables. Assets are initially recorded at fair value, including directly attributable transaction costs, and subsequently measured at amortised cost.

(c) Financial assets at fair value through profit and loss

All financial assets not included in one of the above-mentioned categories are classified as Fair value through profit and loss. This includes investments in derivative assets. Investments 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.

All financial assets are assessed for impairment at each balance sheet date. The Group has elected to measure loss allowances for trade receivables as equal to the lifetime expected credit loss, as permitted by IFRS 9 *Financial Instruments*.

New standards and interpretations not yet adopted

Certain new accounting standards, issued by the IASB, are not yet effective and have not yet been adopted by the Group. The most significant are as follows:

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

4. 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 the following business areas for reporting purposes:

- **Jewellery Maisons** – businesses whose heritage is in the design, manufacture and distribution of jewellery products; these comprise Cartier and Van Cleef & Arpels.
- **Specialist Watchmakers** – businesses whose primary activity includes the design, manufacture and distribution of precision timepieces. The Group's Specialist Watchmakers comprise Piaget, A. Lange & Söhne, Jaeger-LeCoultre, Vacheron Constantin, Officine Panerai, IWC Schaffhausen, Baume & Mercier and Roger Dubuis.
- **Online Distributors** – businesses whose primary activity is the online sale of luxury goods. This group comprises YNAP and Watchfinder.

Online distributors are presented for the first time following the acquisitions of YNAP Group and Watchfinder.co.uk Limited in the current period (note 20).

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, Chloé, Peter Millar, Azzedine Alaïa, investment property companies and other manufacturing entities. None of these segments meets the quantitative thresholds for determining reportable segments.

The entire product range of a particular Maison, which may include jewellery, watches, writing instruments, clothing 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.

4. Segment information continued

(a) Information on reportable segments continued

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.

Revenue by business area is as follows:

Six months to 30 September 2018	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue €m
Revenue						
External revenue	**3 454**	**1 550**	**893**	**911**	**–**	**6 808**
Inter-segment revenue	**–**	**–**	**–**	**24**	**(24)**	**–**
	3 454	**1 550**	**893**	**935**	**(24)**	**6 808**

Six months to 30 September 2017	Jewellery Maisons €m	Specialist Watchmakers €m	Online Distributors €m	Other €m	Eliminations €m	Total Revenue* €m
Revenue						
External revenue*	3 164	1 527	–	929	–	5 620
Inter-segment revenue	–	–	–	–	–	–
	3 164	1 527	–	929	–	5 620

* see note 2 for details

The results by business area are as follows:

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Operating result		
Jewellery Maisons	**1 167**	981
Specialist Watchmakers	**286**	294
Online Distributors	**(115)**	–
Other	**(46)**	6
	1 292	1 281
Elimination	**(6)**	–
Unallocated corporate costs	**(156)**	(115)
Operating profit	**1 130**	1 166
Finance costs	**(123)**	(53)
Finance income	**76**	125
Share of post-tax results of equity-accounted investments	**1 408**	(16)
Profit before taxation	**2 491**	1 222
Taxation	**(238)**	(248)
Profit for the period	**2 253**	974

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Depreciation and amortisation costs included within the segment operating results		
Jewellery Maisons	**99**	98
Specialist Watchmakers	**72**	73
Online Distributors	**116**	–
Other	**51**	51
Unallocated	**48**	43
	386	265

Notes to the condensed consolidated interim financial statements
at 30 September 2018

4. Segment information continued

(a) Information on reportable segments continued

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

	At 30 September 2018 €m	At 31 March 2018 *re-presented €m
Segment assets		
Jewellery Maisons	**3 316**	3 077
Specialist Watchmakers	**1 576**	1 503
Online Distributors	**812**	–
Other	**1 133**	945
	6 837	5 525
Elimination	**(26)**	–
	6 811	5 525

	At 30 September 2018 €m	At 31 March 2018 *re-presented €m
Total segment assets	**6 811**	5 525
Property, plant and equipment	**2 506**	2 325
Goodwill	**3 344**	297
Other intangible assets	**2 776**	370
Investment property	**283**	222
Equity-accounted investments	**178**	1 308
Deferred income tax assets	**581**	604
Financial assets at fair value through profit or loss	**4 143**	5 504
Financial assets at fair value through other comprehensive income	**394**	–
Other non-current assets	**431**	401
Other receivables	**761**	658
Derivative financial instruments	**41**	18
Cash at bank and on hand	**6 535**	8 401
Assets held for sale	**–**	19
Total assets	**28 784**	25 652

* see note 2 for details

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

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Additions to non-current assets:		
Property, plant and equipment, other intangible assets and investment property		
Jewellery Maisons	**85**	59
Specialist Watchmakers	**24**	25
Online Distributors	**75**	–
Other	**102**	62
Unallocated	**48**	31
	334	177

4. Segment information continued

(b) Information about geographical areas

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

	Six months to 30 September 2018 €m	Six months to 30 September 2017 *re-presented €m
Europe	**2 071**	1 637
France	**422**	374
Switzerland	**265**	246
Germany, Italy and Spain	**562**	467
Other Europe	**822**	550
Middle East and Africa	**442**	438
Asia	**3 082**	2 654
China, Hong Kong and Macau	**1 683**	1 440
Japan	**534**	479
South Korea	**358**	316
Other Asia	**507**	419
Americas	**1 213**	891
USA	**1 037**	716
Other Americas	**176**	175
	6 808	5 620

* see note 2 for details

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

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

	At 30 September 2018 €m	At 31 March 2018 €m
Italy	**4 073**	178
United Kingdom	**1 914**	1 202
Switzerland	**1 790**	1 789
USA	**363**	330
Rest of the world	**1 238**	1 292
	9 378	4 791

Segment assets are allocated based on where the assets are located. In the case of equity-accounted investments, the allocation of the asset is determined by the location of the shareholding.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

4. Segment information continued

(c) Information about products

External revenue by product is as follows:

	Six months to 30 September 2018 €m	Six months to 30 September 2017 *re-presented €m
Watches	**2 491**	2 387
Jewellery	**2 445**	2 189
Clothing	**1 052**	202
Leather goods	**360**	379
Writing instruments	**212**	199
Other	**248**	264
	6 808	5 620

* see note 2 for details

5. Revenue

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Revenue from contracts with customers	**6 787**	5 605
Royalty income	**21**	15
	6 808	5 620

Analysis of revenue by geographical area and by operating segment is as follows:

Six months to 30 September 2018	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	**1 427**	**831**	**338**	**576**	**282**	**3 454**
Specialist Watchmakers	**749**	**477**	**93**	**155**	**76**	**1 550**
Online Distributors	**126**	**444**	**31**	**256**	**36**	**893**
Other	**251**	**327**	**73**	**235**	**49**	**935**
	2 553	**2 079**	**535**	**1 222**	**443**	**6 832**
Intersegment eliminations	**(5)**	**(8)**	**(1)**	**(9)**	**(1)**	**(24)**
	2 548	**2 071**	**534**	**1 213**	**442**	**6 808**

Six months to 30 September 2017	Asia €m	Europe €m	Japan €m	Americas €m	Middle East & Africa €m	Total €m
Jewellery Maisons	1 248	800	316	520	280	3 164
Specialist Watchmakers	665	509	88	155	110	1 527
Online Distributors	–	–	–	–	–	–
Other	262	328	75	216	48	929
	2 175	1 637	479	891	438	5 620
Intersegment eliminations	–	–	–	–	–	–
	2 175	1 637	479	891	438	5 620

Notes to the condensed consolidated interim financial statements
at 30 September 2018

6. Goodwill

	€m
Cost at 1 April 2017	298
Exchange adjustments	(27)
Goodwill arising on business combinations	26
Cost at 31 March 2018	**297**
Exchange adjustments	**8**
Goodwill arising on business combinations (note 20)	**3 039**
Cost at 30 September 2018	**3 344**

7. 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 2017					
Cost	214	280	178	220	892
Amortisation	(110)	(153)	(128)	(110)	(501)
Net book value at 1 April 2017	104	127	50	110	391
Exchange adjustments	(12)	(4)	(3)	(9)	(28)
Acquisition through business combinations	23	40	–	–	63
Additions:					
– internally developed	–	–	–	26	26
– other	–	1	13	–	14
Disposals	–	(2)	–	(9)	(11)
Amortisation charge	(10)	(27)	(18)	(28)	(83)
Reclassified to assets held for sale	–	(2)	–	–	(2)
31 March 2018					
Cost	215	283	171	201	870
Amortisation	(110)	(150)	(129)	(111)	(500)
Net book value at 31 March 2018	105	133	42	90	370

Notes to the condensed consolidated interim financial statements
at 30 September 2018

7. Other intangible assets continued

	Intellectual property related €m	Leasehold and distribution rights €m	Computer software and related licences €m	Development costs €m	Total €m
1 April 2018					
Cost	**215**	**283**	**171**	**201**	**870**
Amortisation	**(110)**	**(150)**	**(129)**	**(111)**	**(500)**
Net book value at 1 April 2018	**105**	**133**	**42**	**90**	**370**
Exchange adjustments	**(17)**	**2**	**1**	**3**	**(11)**
Acquisition through business combinations (note 20)	**2 202**	**5**	**294**	**–**	**2 501**
Additions:					
– internally developed	**–**	**–**	**–**	**12**	**12**
– other	**–**	**–**	**55**	**–**	**55**
Disposals	**–**	**(1)**	**–**	**–**	**(1)**
Amortisation charge	**(67)**	**(16)**	**(51)**	**(16)**	**(150)**
30 September 2018					
Cost	**2 403**	**275**	**523**	**203**	**3 404**
Amortisation	**(180)**	**(152)**	**(182)**	**(114)**	**(628)**
Net book value at 30 September 2018	**2 223**	**123**	**341**	**89**	**2 776**

8. Equity-accounted investments

	€m
At 1 April 2017	1 307
Exchange adjustments	(5)
Acquisition of equity-accounted investments	75
Capital distribution from equity-accounted investments	(15)
Dividends received	(3)
Share of post-tax results	(41)
Share of other comprehensive income	(10)
At 31 March 2018	**1 308**
Exchange adjustments	**(1)**
Acquisition through business combinations (note 20)	**1**
Capital distribution from equity-accounted investments	**(21)**
Disposal of equity-accounted investments	**(2 482)**
Dividends received	**(36)**
Share of post-tax results	**1 408**
Share of other comprehensive income	**1**
At 30 September 2018	**178**

The value of equity-accounted investments at 30 September 2018 includes goodwill of € 43 million (31 March 2018: € 872 million).

The Group’s share of post-tax results of equity-accounted investments includes the revaluation gain of € 1 381 million recorded on the deemed disposal of the existing shareholding of YNAP Group following completion of the Voluntary Tender Offer (note 20) and of Dalloz Pre-Setting SAS.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

8. Equity-accounted investments continued

The Group's principal equity-accounted investments are as follows:

		30 September 2018 % interest held	31 March 2018 % interest held	Country of incorporation	Country of operation
Associates					
Greubel Forsey SA	Watchmaker	20	20	Switzerland	Switzerland
Rouages SA	Watch component manufacturer	35	35	Switzerland	Switzerland
Schwab-Feller AG	Watch component manufacturer	20	20	Switzerland	Switzerland
YOOX-NET-A-PORTER GROUP S.p.A. [1]	e-Commerce	100	49	Italy	Worldwide
Kering Eyewear S.p.A.	Eyewear manufacturer/distributor	30	30	Italy	Worldwide
E-lite S.p.A	e-Commerce	49	–	Italy	Worldwide
Joint ventures					
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	46	United Kingdom	United Kingdom

1. At 31 March 2018, the Group's share of the total voting rights of YOOX-NET-A-PORTER S.p.A. was 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.

During the period, the Group acquired the remaining share capital of YNAP Group (note 20). This entity is now fully consolidated and no longer classified as an associate. The Group also took control, in accordance with IFRS 10 *Consolidated Financial Statements*, of Dalloz Pre-Setting SAS with effect from 1 April 2018 (note 20) due to the existence of a call option over the remaining shares which has become exercisable at the Group's discretion. The entity is fully consolidated from that date and no longer classified as a joint venture.

9. Other operating (expense)/income

	Six months to 30 September 2018 €m	Six months to 30 September 2017 *re-presented €m
Royalty expenses	**(1)**	(2)
Investment property rental income	**1**	–
Investment property costs	**(4)**	(1)
Amortisation of other intangible assets acquired on business combinations	**(82)**	(8)
Other income/(expense)	**(77)**	(27)
	(163)	(38)

* see note 2 for details

Notes to the condensed consolidated interim financial statements
at 30 September 2018

10. Finance costs and income

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Finance costs:		
Interest expense:		
– bank borrowings	**(25)**	(14)
– corporate bond	**(35)**	–
– other financial expenses	**(19)**	(13)
Net foreign exchange losses on monetary items	**(38)**	–
Net loss on financial instruments at fair value through profit or loss:		
– designated on initial recognition	**–**	(11)
– held for trading	**(6)**	(15)
Finance costs	**(123)**	(53)
Finance income:		
Interest income:		
– from financial assets at amortised cost (including bank and other deposits)	**22**	14
– from financial assets held at fair value through profit or loss	**20**	19
– other financial income	**4**	3
Dividend income on financial assets at fair value through OCI	**13**	–
Net foreign exchange gains on monetary items	**–**	84
Mark-to-market adjustment in respect of hedging activities	**17**	5
Finance income	**76**	125
Net finance (costs)/ income	**(47)**	72

11. Earnings per share

11.1. Basic

Basic earnings per A share/10 B shares is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of shares in issue during the period, excluding shares purchased by the Group and held in treasury.

	Six months to 30 September 2018	Six months to 30 September 2017
Profit attributable to owners of the parent company (€ millions)	**2 253**	974
Weighted average number of shares in issue (millions)	**563.8**	564.1
Basic earnings per A share/10 B shares	**3.996**	1.727

11. Earnings per share continued

11.2. Diluted

Diluted earnings per A share/10 B shares is calculated adjusting the weighted average number of shares outstanding, which assumes conversion of all dilutive potential shares. The Group has only one category of dilutive potential shares: share options.

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

For the period ended 30 September 2018, 5 705 253 options (2017: 3 397 025 options) granted to employees are not dilutive and so are excluded from the calculation of diluted earnings per share.

	Six months to 30 September 2018	Six months to 30 September 2017
Profit attributable to the owners of the parent company (€ millions)	**2 253**	974
Weighted average number of shares in issue (millions)	**563.8**	564.1
Adjustment for share options (millions)	**1.2**	1.8
Weighted average number of shares for diluted earnings per A share/10 B shares (millions)	**565.0**	565.9
Diluted earnings per A share/10 B shares	**3.987**	1.721

11.3. Headline earnings per share

The presentation of headline earnings per A share/10 B shares as an alternative measure to earnings per share is required under the JSE listing requirements.

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Profit attributable to owners of the parent company	**2 253**	974
Loss/(profit) on disposal of non-current assets	**–**	1
Loss on disposal of subsidiary undertakings	**57**	18
Currency exchange gains reclassified from currency translation adjustment reserve	**3**	–
(Gain) on deemed disposal of equity-accounted investments (note 8)	**(1 381)**	–
Write-down of assets of disposal group held for sale	**–**	7
Headline earnings	**932**	1 000

	Six months to 30 September 2018 millions	Six months to 30 September 2017 millions
Weighted average number of shares:		
– basic	**563.8**	564.1
– diluted	**565.0**	565.9
	€ per share	€ per share
Headline earnings per A share/10 B shares:		
– basic	**1.653**	1.773
– diluted	**1.649**	1.767

12. Taxation

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The effective tax rate for the period ended 30 September 2018 was 22.0% (2017: 20.0%).

13. Cash flow generated from operations

	Six months to 30 September 2018 €m	Six months to 30 September 2017 €m
Operating profit	**1 130**	1 166
Depreciation of property, plant and equipment	**234**	225
Amortisation of other intangible assets	**150**	40
Depreciation of investment property	**2**	–
Loss on disposal of property, plant and equipment	**2**	–
(Profit)/loss on disposal of intangible assets	**(2)**	1
(Decrease)/increase in long-term provisions	**(2)**	3
Increase in retirement benefit obligations	**–**	1
Non-cash items	**56**	32
(Increase)/decrease in inventories	**(195)**	110
Increase in trade receivables	**(181)**	(244)
Decrease/(increase) in other receivables	**12**	(42)
Decrease in current liabilities	**(428)**	(174)
Increase/(decrease) in other long-term financial liabilities	**20**	(2)
Cash outflow on derivative financial instruments	**(65)**	(8)
Cash flow generated from operations	**733**	1 108

14. Related-party transactions

Following the acquisition of YNAP Group and Dalloz Pre-Setting SAS during the period (note 20), transactions with these entities are fully eliminated on consolidation from the respective dates of the Group gaining control. Furthermore, the Group acquired, as part of the YNAP Group transaction, an associated company, E-lite S.p.A, with which it has trading activities. Also during the period to 30 September 2018, an entity controlled by the Rupert family's interests increased its investment in a Group company, resulting in the recognition of a total non-controlling interest on the balance sheet of € 63 million.

There have been no other significant changes in the nature and magnitude of the related-party transactions and relationships during the period. Full details of related-party transactions will be included in the 2019 annual consolidated financial statements.

15. Dividends

On 10 September 2018 shareholders approved a dividend of CHF 1.90 per 'A' share and CHF 0.19 per 'B' share (2017: CHF 1.80 and CHF 0.18 respectively).

16. Financial commitments and contingent liabilities

At 30 September 2018, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material losses will arise.

17. Treasury shares

The Group holds treasury shares to hedge its obligation arising under the Group stock option plan.

During the current period the Group acquired 2 300 000 treasury shares directly in the open market for € 180 million (2017: 1 900 000 shares for € 141 million). In the same period the Group delivered 2 564 106 treasury shares for proceeds of € 106 million in settlement of options exercised in the period and traded options exercised in previous periods (2017: 1 581 106 shares for € 69 million).

18. Share-based payments

Equity-settled share 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 between 2008 and 2017 include a performance condition correlated to other luxury goods companies upon which vesting is conditional.

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 Company. The award date value in May 2017 of CHF 17.98 was revalued following the AGM in September 2018 at CHF 17.48. The estimated fair value of options awarded to members of the SEC in the period ended 30 September 2018 is based on the valuation at the award date. Changes in the fair value of these options between the award date and 30 September 2018 are not significant to the Group. The final fair value will be fixed in September 2019 following approval by the shareholders.

During the period ended 30 September 2018, awards of 2 705 650 options were made (30 September 2017: 2 080 515) at an exercise price of CHF 92.00 (2017: CHF 80.20).

19. Financial instruments: Fair values and risk management

The Group's financial risk management objectives and policies are consistent with those described in the consolidated financial statements for the year ended 31 March 2018.

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			
30 September 2018	Fair value through profit or loss €m	Fair value through OCI €m	Assets at amortised cost €m	Liabilities at amortised cost €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	–	**394**	–	–	**394**	**394**			**394**
Unlisted investments	**10**	–	–	–	**10**			**10**	**10**
Investments in externally managed funds	**3 952**	–	–	–	**3 952**	**3 952**			**3 952**
Investments in money market funds	**181**	–	–	–	**181**		**181**		**181**
Derivative financial instruments	**41**	–	–	–	**41**		**41**		**41**
	4 184	**394**	–	–	**4 578**				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	**5**	–	**5**				
Non-current lease deposits	–	–	**133**	–	**133**				
Trade and other receivables	–	–	**1 350**	–	**1 350**				
Cash and cash equivalents	–	–	**6 535**	–	**6 535**				
	–	–	**8 023**	–	**8 023**				
Financial liabilities measured at fair value									
Derivatives	–	**(28)**	–	–	**(28)**		**(28)**		**(28)**
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	**(4 286)**	**(4 286)**		**(4 342)**		**(4 342)**
Floating rate borrowings	–	–	–	**(325)**	**(325)**				
Finance lease obligations	–	–	–	**(38)**	**(38)**				
Other long-term financial liabilities	–	–	–	**(211)**	**(211)**				
Trade and other payables	–	–	–	**(1 806)**	**(1 806)**				
Bank overdrafts	–	–	–	**(4 435)**	**(4 435)**				
	–	–	–	**(11 101)**	**(11 101)**				

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at 30 September 2018

19. Financial instruments: Fair values and risk management continued

At 31 March 2018, the Group applied IAS 39, the predecessor standard to IFRS 9. Classifications of financial assets and financial liabilities at 31 March 2018 have not been re-presented.

	Carrying amount					Fair value			
31 March 2018	Designated at fair value €m	Held for trading €m	Loans and receivables €m	Other financial liabilities €m	Total €m	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets measured at fair value									
Listed investments	431	–	–	–	431	431			431
Unlisted investments	16	–	–	–	16	–		16	16
Investments in externally managed funds	–	3 424	–	–	3 424	3 424		–	3 424
Investments in money market funds	1 633	–	–	–	1 633		1 633		1 633
Derivative financial instruments	–	18	–	–	18		18		18
	2 080	3 442	–	–	5 522				
Financial assets not measured at fair value									
Non-current loans and receivables	–	–	7	–	7				
Non-current lease deposits	–	–	125	–	125				
Trade and other receivables	–	–	995	–	995				
Cash and cash equivalents	–	–	8 401	–	8 401				
	–	–	9 528	–	9 528				
Financial liabilities measured at fair value									
Derivatives	–	(90)	–	–	(90)		(90)		(90)
Financial liabilities not measured at fair value									
Fixed rate borrowings	–	–	–	(4 263)	(4 263)		(4 324)		(4 324)
Floating rate borrowings	–	–	–	(3)	(3)				
Finance lease obligations	–	–	–	(26)	(26)				
Other long-term financial liabilities	–	–	–	(168)	(168)				
Trade and other payables	–	–	–	(1 494)	(1 494)				
Bank overdrafts	–	–	–	(3 897)	(3 897)				
	–	–	–	(9 851)	(9 851)				

Following the application of IFRS 9 Financial Instruments on 1 April 2019, an amount of € 431 million shown above as Designated at fair value was reclassified to Fair value through Other Comprehensive Income. At 30 September 2018, these assets had a carrying value of € 394 million. Had these assets not been reclassified, a loss of € 51 million would have been recognised in consolidated net profit during the period then ended. There were no other material changes to classification and no changes to the measurement of these assets.

The Group does not disclose the fair value for financial instruments where the carrying value is a reasonable approximation of the fair value.

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19. Financial instruments: Fair values and risk management continued

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 listed investments and investments in externally managed funds made up of listed bonds.

For the euro-denominated externally managed funds the maximum maturity is two years and one month and the maximum duration is 0.9 years. For the US dollar-denominated externally managed funds, the maximum maturity is three years and the maximum duration is two years. A weighted average rating of AA is applied to euro- and US dollar-denominated externally managed funds.

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 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 six-month period to 30 September 2018, the carrying amount decreased to € 10 million.

Hedging activities

During the year to 31 March 2018, the Group was party to a euro-denominated interest rate swap contract which was used to hedge the Group’s corporate bond issue. Cash flow hedge accounting was applied to the transaction and as a result, the loss realised on this interest rate swap was deferred in equity. This loss is recycled to the income statement over the life of the related bond.

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20. Business combinations

During the six months to 30 September 2018, the Group concluded several business combinations for a total consideration of € 2 719 million.

YOOX NET-A-PORTER GROUP

In March 2018, the Group made a Voluntary Tender Offer for the remaining share capital of YOOX NET-A-PORTER GROUP S.p.A ('YNAP Group') that the Group did not already own. YNAP Group is a luxury fashion online retailer registered in Italy and was traded on the Milan Stock Exchange and the offer was intended to strengthen the Group's presence and focus on the online channel. The offer was conditional on acceptance by 90% of shareholders. On 9 May 2018, the offer period closed and it was announced that the total number of YNAP Group shares tendered in the offer, together with those voting shares already held by the Group, amounted to 94.999% of YNAP Group's ordinary voting share capital. As such, the minimum acceptance threshold was reached and it was determined that the Group had gained control of YNAP Group from this date.

Immediately prior to gaining control, the Group held an interest of 49%, with voting rights restricted to 25%, and accounted for YNAP Group as an associated undertaking applying the equity accounting method. The carrying value of this investment pre-acquisition was € 1 097 million. The investment in the associated undertaking was remeasured to fair value on the date of acquisition, resulting in a fair value gain of € 1 378 million, which is recognised in Share of post-tax result of equity-accounted investments.

As at 30 September 2018, and subsequent to gaining control, the Group has acquired the remaining outstanding shares in YNAP Group to increase its shareholding to 100% for a net cash outflow of € 195 million.

Watchfinder

On 1 June 2018, the Group announced its acquisition of 100% of the share capital of Watchfinder.co.uk Limited, a pre-owned premium watch specialist based in the United Kingdom, aimed at further strengthening the Group's digital presence and providing structure to the pre-owned market segment.

Other business combinations

During the period, the Group acquired 100% of the share capital of The Royal Berkshire Shooting School Limited, an entity based in the United Kingdom, as well as the operations of external boutiques and agents in strategic markets, mostly in the Middle East. In addition, it took control of Dalloz Pre-Settings SAS, a manufacturing entity based in France, which had previously been classified as a joint venture (note 8). The carrying value of this investment at 31 March 2018 was € 3 million. The investment in this joint venture was remeasured to fair value on the date of acquisition, resulting in a fair value gain of € 3 million, which is recognised in share of post-tax profit of associated undertakings. The impact of these acquisitions on the financial position and performance of the Group is not significant, and as such these acquisitions are presented in aggregate below.

Notes to the condensed consolidated interim financial statements
at 30 September 2018

20. Business combinations continued

Fair value of assets acquired

	YOOX NET-A-PORTER GROUP €m	Watchfinder €m	Other €m	Total €m
Property, plant and equipment	**155**	**1**	**12**	**168**
Intangible assets	**2 434**	**57**	**10**	**2 501**
Other non-current assets	**2**	**–**	**–**	**2**
Equity-accounted investments	**1**	**–**	**–**	**1**
Inventory	**693**	**32**	**13**	**738**
Cash and cash equivalents	**67**	**2**	**2**	**71**
Trade and other receivables	**108**	**2**	**4**	**114**
Trade and other payables	**(722)**	**(3)**	**(6)**	**(731)**
Current and deferred tax	**(383)**	**(9)**	**(1)**	**(393)**
Non-current liabilities	**(178)**	**(12)**	**(4)**	**(194)**
Fair value of net assets acquired	**2 177**	**70**	**30**	**2 277**
Fair value of net assets acquired	**2 177**	**70**	**30**	**2 277**
Non-controlling interests	**(111)**	**–**	**(5)**	**(116)**
Fair value of previous shareholding	**(2 475)**	**–**	**(6)**	**(2 481)**
Goodwill	**2 877**	**161**	**1**	**3 039**
Total consideration paid	**2 468**	**231**	**20**	**2 719**
Consideration paid in advance	**–**	**–**	**(6)**	**(6)**
Consideration deferred to future periods	**–**	**–**	**(1)**	**(1)**
Purchase consideration – cash paid	**2 468**	**231**	**13**	**2 712**
Cash and cash equivalents acquired	**(67)**	**(2)**	**(2)**	**(71)**
Payment of amounts deferred in prior periods	**–**	**–**	**2**	**2**
Cash outflow on acquisitions	**2 401**	**229**	**13**	**2 643**

The fair value of these assets is provisional pending finalisation of valuation work. Goodwill represents certain intangible assets that do not qualify for separate recognition, including an integrated workforce and technical know-how in terms of distribution platforms. None of the goodwill is expected to be deductible for tax purposes. Non-controlling interests are measured as a proportionate share of net assets.

The gross contractual value of receivables acquired was € 25 million, all of which is considered to be recoverable.

In the period since acquisition, the businesses contributed € 895 million to sales and a loss of € 102 million to net profit (€ 853 million and € 102 million respectively for YNAP Group alone). Had the acquisitions been made on 1 April 2018, the contribution to sales and to net profit for the full period would have been € 1 052 million and a loss of € 109 million respectively (€ 989 million and € 110 million respectively for YNAP Group alone).

Acquisition-related transaction costs of € 19 million were expensed in the period to 30 September 2018.

Contingent consideration
Contingent consideration is due based on the future results of an acquired business following the completion of the transaction, payable up to two years after the closing date. The provision represents the maximum possible amount that may become payable, which the Group expects to pay. The fair value of the contingent consideration was estimated by calculating the present value of future expected cash flows, based on latest forecasts and budgets. The estimates are based on a discount rate which reflects the risk profile of the investment and probability adjusted sales and operating profit figures. As this valuation is based on unobservable inputs, it is classified as a Level 3 in the fair value hierarchy.

At 30 September 2018, the Group has a total provision of € 37 million related to contingent consideration payable as a result of business combinations in the current and prior periods. The only movement in this balance compared to 31 March 2018, other than for new acquisitions and payments made as described above, was due to exchange rate movements.

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21. Re-presentation of 2017 comparatives

The impacts on the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated Balance Sheet arising from the re-presentation of comparative figures following the adoption of IFRS 15 and other presentational changes (note 2) are shown below. There is no impact on the Condensed Consolidated Statement of Cash Flows, nor on Other comprehensive income.

Income statement

	Six months to 30 September 2017 as reported €m	Adoption of IFRS 15 €m	Other €m	Six months to 30 September 2017 re-presented €m
Sales	**5 605**	**–**	**15**	**5 620**
Cost of sales	**(1 940)**	**–**	**–**	**(1 940)**
Gross profit	**3 665**	**–**	**15**	**3 680**
Selling and distribution expenses	**(1 490)**	**–**	**–**	**(1 490)**
Communication expenses	**(484)**	**–**	**–**	**(484)**
Administrative expenses	**(502)**	**–**	**–**	**(502)**
Other operating expense	**(23)**	**–**	**(15)**	**(38)**
Operating profit	**1 166**	**–**	**–**	**1 166**
Finance costs	**(53)**	**–**	**–**	**(53)**
Finance income	**125**	**–**	**–**	**125**
Share of post-tax results of equity-accounted investments	**(16)**	**–**	**–**	**(16)**
Profit before taxation	**1 222**	**–**	**–**	**1 222**
Taxation	**(248)**	**–**	**–**	**(248)**
Profit for the period	**974**	**–**	**–**	**974**

Notes to the condensed consolidated interim financial statements
at 30 September 2018

21. Re-presentation of 2017 comparatives continued

Balance sheet

	31 March 2018 as reported €m	Adoption of IFRS 15 €m	Other €m	31 March 2018 *re-presented €m
Assets				
Non-current assets	**5 974**	**–**	**–**	**5 974**
Current assets				
Inventories	**4 943**	**–**	**–**	**4 943**
Trade and other receivables	**995**	**94**	**151**	**1 240**
Derivative financial instruments	**18**	**–**	**–**	**18**
Prepayments	**151**	**–**	**(151)**	**–**
Financial assets held at fair value through profit or loss	**5 057**	**–**	**–**	**5 057**
Assets held for sale	**19**	**–**	**–**	**19**
Cash at bank and on hand	**8 401**	**–**	**–**	**8 401**
	19 584	**94**	**–**	**19 678**
Total assets	**25 558**	**94**	**–**	**25 652**
Equity and liabilities				
Equity attributable to owners of the parent company	**14 631**	**–**	**–**	**14 631**
Non-controlling interests	**7**	**–**	**–**	**7**
Total equity	**14 638**	**–**	**–**	**14 638**
Liabilities				
Non-current liabilities	**4 605**	**–**	**–**	**4 605**
Current liabilities				
Trade and other payables	**1 634**	**–**	**–**	**1 634**
Current income tax liabilities	**359**	**–**	**–**	**359**
Borrowings	**4**	**–**	**–**	**4**
Derivative financial instruments	**90**	**–**	**–**	**90**
Provisions	**312**	**94**	**–**	**406**
Liabilities of disposal groups held for sale	**19**	**–**	**–**	**19**
Bank overdrafts	**3 897**	**–**	**–**	**3 897**
	6 315	**94**	**–**	**6 409**
Total liabilities	**10 920**	**94**	**–**	**11 014**
Total equity and liabilities	**25 558**	**94**	**–**	**25 652**

Exchange rates

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

Exchange rates against the euro

	Six months to 30 September 2018	Six months to 30 September 2017
Average		
United States dollar	**1.18**	1.14
Japanese yen	**130**	126
Swiss franc	**1.16**	1.11

	30 September 2018	31 March 2018
Closing		
United States dollar	**1.16**	1.23
Japanese yen	**132**	131
Swiss franc	**1.13**	1.17

Statutory information

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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).

The closing price of the Richemont 'A' share on 28 September 2018 was CHF 80.00 and the market capitalisation of the Group's 'A' shares on that date was CHF 40 512 million. Over the preceding six-month period, the highest closing price of the 'A' share was CHF 99.02 (17 May) and the lowest closing price was CHF 78.82 (19 September).

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