RICHEMONT

FY24 Annual Results

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Contents

- Johann Rupert, Chairman
- Jérôme Lambert, Chief Executive Officer
- Burkhart Grund, Chief Finance Officer
- Cyrille Vigneron, Cartier Chief Executive Officer
- Nicolas Bos, Van Cleef & Arpels Chief Executive Officer
- Sophie Cagnard, Group Corporate Communications and Investor Relations Director

INTRODUCTION

Sophie Cagnard: Good morning and welcome to Richemont's 2024 full year results presentation. Thank you for coming to Geneva, and also to those of you watching the webcast. I am Sophie Cagnard and joining me today are Johann Rupert, Chairman, Jérôme Lambert, CEO, Burkhart Grund, CFO, Cyrille Vigneron, Cartier CEO and Nicolas Bos, Van Cleef & Arpels CEO.

As usual, the company announcement and financial presentation can be downloaded from richemont.com and the replay of the webcast will be available on our website today from 3:00pm Geneva time. Before we begin, please take note of the forward-looking statements in our ad hoc announcement and on slide two of our presentation. While you do, just a few personal words. As many of you know, I'll be retiring later this year and so, this will be my last results presentation. Over the last 22 years, it has been incredibly rewarding to build and lead the investor relations function, and interact with world-class sell-side analysts and highly knowledgeable investors. I would like to express my gratitude for your insightful questions and constructive feedback. I would also like to thank the Chairman for his trust and support, and all my many inspirational colleagues in the Richemont family. I am pleased to say that you will be in good hands moving forward with Alessandra Girolami, who will lead the department from September.

Turning now to the slides, Jérôme will take you through the year's financial highlights and sales, and then Burkhart will review our business areas, Group financials and key ESG initiatives. He will then hand back to Jérôme for the conclusion, which will be followed by a Q&A session open to participants present in the room. I will now hand over to Jérôme.

HIGHLIGHTS

Jérôme Lambert: Thank you, Sophie. Good morning, ladies and gentlemen. Thank you for joining us today. Throughout the year, we faced continued macroeconomic and geopolitical uncertainty, unfavourable foreign exchange movements and demanding comparatives.

Amid these challenges, we nonetheless achieved all-time high sales of 20.6 billion euros, an increase of 3% at actual exchange rates and 8% at constant exchange rates.

Operating profit came in at 4.8 billion euros. On a reported basis, operating profit was 5% lower than the prior year, resulting in an operating margin of 23.3%. The currency impact was quite significant: at constant exchange rates, operating profit increased by 13% and the resulting margin rose as well, as we shall see on the next slide. Excluding non-recurring charges of 58 million euros net, reported operating profit was close to 4.9 billion euros.

Profit for the year from continuing operations was solid at 3.8 billion euros, down 2% on the prior year. Cash flow from operating activities was strong, reaching 4.7 billion euros while the Group's net cash position continued to be robust with a 0.9 billion euro increase from the prior year to 7.4 billion euros.

Richemont delivered a solid underlying performance in a challenging context. Sales growth was fuelled by all regions, led by Asia Pacific in value terms and by Japan in percentage terms, as well as double-digit growth at Jewellery Maisons and in the retail channel. We saw a strong performance in

Q1 and Q3, and a 2% increase at constant exchange rates in the fourth quarter against a particularly challenging comparative of +21% in the prior-year period.

The full year operating profit from continuing operations of 4.8 billion euros was affected by significant foreign exchange movements. At 68.1%, our gross margin included a 200 basis point negative foreign exchange impact. At constant exchange rates, gross margin was up 130 basis points while operating margin increased by 100 basis points. At the business area level, the Jewellery Maisons maintained the highest operating margin, at 33.1% reported.

Over the year, Richemont strengthened its approach to ESG, with several milestones reached. The Group was proud to have obtained global gender EQUAL-SALARY certification from the EQUAL-SALARY Foundation, recognising Richemont's commitment to ensuring a fair and equal wage policy between women and men for our more than 38'000 colleagues across 39 markets.

SALES

Jérôme Lambert: Let me now walk you through the Group sales performance: first by region and then by distribution channel. Unless otherwise stated, all comments refer to year-on-year changes at constant exchange rates.

It is worth noting that sales grew across ALL regions, for the third year in a row. Also, in terms of individual markets, the US, benefitting from its strong growth rate over this past year, has now become the Group's largest contributor, just ahead of mainland China.

Europe delivered 3% growth on top of +27% in the prior year, mainly supported by local spending. This included increases in France, Switzerland, Italy and Spain, more than offsetting softness in some other locations. The fourth quarter was strong, with a 7% sales increase on a demanding comparative.

Turning to Asia Pacific, the region grew double digits for the year and contributed the most to the absolute increase in Group sales. Growth reflected the strength of Hong Kong and Macau, which benefitted from increased travel from the mainland Chinese. Most other key locations in the region showed growth for the year. Fourth quarter sales were down by 12%, primarily reflecting the particularly strong comparative of +26% in the prior year period.

The Americas posted a very solid performance with a 5% growth rate, benefitting from strong domestic demand sustained by a favourable macroeconomic environment and repatriation of spend. Fourth quarter sales growth accelerated to double digits. The Americas was the second largest region after Asia Pacific with sales of 4.5 billion euros.

Japan posted the strongest sales increase for the year, at +20%. This was primarily driven by tourist spending, notably from Chinese clients. Of note, fourth quarter sales in Japan saw extremely strong growth exceeding 40%, and this against a challenging comparative.

The Middle East & Africa region had a very robust performance, with sales up by double digits, benefitting from higher spending by both locals and tourists. This was particularly the case in the United Arab Emirates and Saudi Arabia. Fourth quarter sales also rose by double digits, continuing the strong growth momentum recorded during the year.

Let us now turn to sales by distribution channel, starting with retail - where directly-operated stores contributed 69% of Group sales, up from 68% in the prior year. The retail channel outperformed all other channels with an 11% sales increase, building on the double-digit growth rate of the prior year. This strong performance was driven by double-digit growth at both the Jewellery Maisons and Specialist Watchmakers, as well as mid-single digit growth at the Fashion & Accessories Maisons. All regions posted sales growth, with double-digit increases in Asia Pacific, Japan and Middle East & Africa. Retail sales benefitted from 81 net new store openings, mainly in Asia Pacific and the Americas. Fourth quarter retail sales increased by 2%, building upon a sharp 24% growth in the prior-year period.

The online retail channel - comprising the Group's online sales at the Group's Maisons and Watchfinder - contributed 6% of Group sales, in line with the prior year. Sales were 2% lower, as growth in most regions was more than offset by softer online sales in Europe and Asia Pacific. The F&A Maisons posted limited growth but included double-digit increases at Peter Millar and Alaïa. The reduction in online sales was partly due to the strong resurgence in 'brick-and-mortar' shopping as clients returned to physical stores. Sales in the fourth quarter were in line with the prior-year period.

Finally, wholesale sales. Comprising 25% of Group sales, wholesale sales increased by 4%, on a solid performance from the Jewellery Maisons, partially offset by softer sales at the other business areas. Fourth quarter sales rose by 2%, on demanding comparatives.

The Group's proportion of direct-to-client sales, which includes sales in our directly-operated stores and online, increased by one percentage point to 75% of Group sales. The increase was driven by the Specialist Watchmakers and Fashion & Accessories Maisons. Indeed, direct-to-client sales at the Specialist Watchmakers increased by four-percentage points to 60%. This follows a five-percentage point increase in the prior year, reflecting the success of the Group's ongoing retailisation strategy that complements the focus on key strategic multibrand retail partners. The Jewellery Maisons continued to have the highest rate of direct-to-client sales, at 82%.

Burkhart will now take you through the year's highlights by business area. Over to you Burkhart.

BUSINESS AREAS

Burkhart Grund: Thank you Jérôme. Let me review our business areas – with all numbers at actual rates – and starting with the Jewellery Maisons. Building upon very strong growth in the prior year, sales increased by 6%, exceeding a new sales threshold of 14 billion euros. At constant exchange rates, the 12% growth marks the third year in a row of double-digit growth for Jewellery Maisons.

Sales were up across all three Jewellery Maisons, most distribution channels and across all regions, most notably in Asia Pacific, Japan and Middle East & Africa.

In the fourth quarter, sales were slightly down, although up by 3% at constant exchange rates, on a challenging comparable base of +26% in the prior year.

The Jewellery Maisons' operating margin was strong, at 33.1%. All Maisons continued to make long term investments, particularly in jewellery production capacity and distribution. Communication expenses also rose, notably for high jewellery events. The operating result rose by 1% compared to the prior year, largely affected by adverse foreign exchange movements. At constant exchange rates, the operating result was up 14%, with an 80 basis point increase in the operating margin.

Let us look at the key developments during the year. The Jewellery Maisons generated good growth with iconic collections. In jewellery, this included Trinity, which is celebrating its 100th anniversary this year, and Clash at Cartier, Alhambra and Fauna at Van Cleef & Arpels and Opera Tulle and Macri at Buccellati. Good watch performances included Panthère and Baignoire at Cartier and Perlée at Van Cleef & Arpels.

High jewellery enjoyed a strong performance, supported by international and local events around collection launches. These included Le Voyage Recommencé at Cartier, Le Grand Tour at Van Cleef & Arpels, and Mosaico at Buccellati.

The retail network was further upgraded with renovations and new openings across the regions. Renovations included the Milan Montenapoleone store for Buccellati, Geneva rue du Rhône for Van Cleef & Arpels and South Coast Plaza for Cartier. New openings took place in New York for Cartier, Hong Kong for Van Cleef & Arpels and Macau for Buccellati as well as in new markets such as e.g. Mumbai for Cartier. 64% of Cartier stores are now under its new concept, a material increase from 51% a year ago.

To support the strong demand for jewellery pieces across our three Jewellery Maisons, production capacity is being increased through production facilities being acquired, built or expanded. These facilities are located in Italy, France and Switzerland.

Let us now review our Specialist Watchmakers, where sales were 3% lower, following a strong comparative in the prior year. On a constant exchange rate basis though, sales grew by 2% against high-single digit growth in the prior year when they reached an all-time high.
Regionally, increases in Asia Pacific - excluding mainland China - Japan and the Middle East & Africa were supported by both local and tourist spending. Such increases were more than offset by declines in other regions. A mid-single digit increase in retail sales was more than offset by softness in other channels.

In the fourth quarter, following a double-digit comparative from the prior year, sales were 4% lower than the prior year on a reported basis and 1% lower at constant currencies.

The operating result of 572 million euros translated into a resilient operating margin of 15.2%. During the year, investments in communication and the store network continued to further reinforce the retailisation of the business. As in H1, the decline in profitability reflected a moderate sales contraction combined with a strong Swiss franc and internalisation of external points of sale.

Excluding forex movements, which impacted this business area the most, the operating result rose by 3% and the operating margin by 20 basis points.

Let’s now look at some of the key developments over the past year. Performance was varied across the Maisons yet supported by a continued resilience of iconic collections. These included the Lange 1 at A. Lange & Söhne, Portugieser at IWC, Reverso at Jaeger-LeCoultre, Luminor at Panerai, Polo at Piaget, and Traditionnelle at Vacheron Constantin.

Our Specialist Watchmakers have continued to strengthen direct engagement with clients through the elevation of the experience in stores as well as through events highlighting craftsmanship and artistry such as Watches and Wonders, Concours d'élegance for A. Lange & Söhne and concerts for Jaeger-LeCoultre, to name just a few.

Further development of the retail network included new openings such as "Casa Panerai" in Paris, the first internal boutique in Thailand for Vacheron Constantin in Bangkok, and A. Lange & Söhne in Paris on rue de la Paix. Other highlights included the internalisation of external points of sale, relocations and renovations, the latter including the first Piaget boutique renovated under the new store concept, in Taipei 101 in Taiwan.

More on the evolution of the Specialist Watchmakers' business model at the end of the presentation, underlined by the DTC rate here on the slide.

Finally, let us move to the 'Other 'business area, which primarily includes the Group's Fashion & Accessories Maisons along with the Group's unbranded watch component manufacturing and real estate activities as well as Watchfinder. Sales were 2% lower year-on-year on a reported basis and 1% up at constant exchange rates. The resilience in the Americas, our largest region, mitigated softness elsewhere. Higher sales at most Fashion & Accessories Maisons were more than offset by lower performance in other units, predominantly Watchfinder. For the fourth quarter, sales were overall slightly down year-on-year, facing a strong comparable base in the prior year.

The operating result for the year was a 43 million euro loss. This largely reflects the impact of Watchfinder and our watch component manufacturers. The Fashion & Accessories Maisons broke even, yet at constant currencies, they generated a 30 million euro operating result.

Let us now look at some highlights of the past year. Most Fashion & Accessories Maisons experienced sales growth due to a heightened focus on creativity. FY24 was another successful year for Alaïa and Peter Millar. Alaïa had a strong reception of their latest collections and saw success of leather goods such as the Coeur handbag and Ballet Flat shoes. Montblanc enjoyed success with its higher price offer and large leather goods collection. Also noteworthy were the acclaimed first collections of Simon Holloway at dunhill and Chemena Kamali at Chloé. Indeed, Chemena's inaugural show was ranked #1 by WWD among the top 10 fashion shows in Milan, Paris and NYC.

The retail network was further enhanced with new openings across regions, including Delvaux in Kuala Lumpur's Pavilion Mall and in Beijing at Wang Fu Central, Alaïa at the Kingdom Centre in Riyadh and Peter Millar on Madison Avenue in New York.

The Group also strengthened its portfolio further with the acquisition of Gianvito Rossi, a recognised leader in high-end shoe manufacturing, with proprietary savoir-faire in development and production. We will now begin to scale up this unique Maison, leveraging the infrastructure and backing of the Group.

Watchfinder continued its expansion and is now present in four TimeVallée locations, including Abu Dhabi and Macau, while being present in over 100 Specialist Watchmakers and Cartier boutiques via its "Part Exchange Service". In addition, a marketplace offer was launched earlier this year in the United Kingdom.

FINANCIALS

Let me now turn to the Group financials, starting with gross profit which rose by 2%, to 14 billion euros. The gross margin declined by 60 basis points to 68.1%, impacted by a strong Swiss franc versus the Euro and higher raw material costs. Excluding the 190-basis point negative impact from adverse foreign exchange movements, gross margin increased by 130 basis, reflecting the positive impact of targeted price increases by our Maisons and a more favourable geographical mix.

Next, let us look at operating expenses, which were tightly controlled to end just 6% higher than the prior year, in an inflationary environment. At constant exchange rates, operating expenses rose by 9%, broadly in line with sales. I will now take you through the expenses by category.
Selling and distribution expenses increased by 7% at actual exchange rates and by 11% at constant exchange rates, accounting for 54% of total operating expenses, in line with the prior year. Most of the increase related to inflation-driven operating cost increases as well as to the development and enhancement of our retail network and growth in retail sales, notably in Asia Pacific, Japan and Middle East & Africa. Selling and distribution expenses represented 24.3% of Group sales, an 80 basis point increase compared to the prior year.

Communication expenses rose by 3% at actual exchange rates and by 6% at constant exchange rates. The higher spend was more marked at the Jewellery Maisons to support sales growth, notably with impactful high jewellery events. Nonetheless, investment in communications remained at 9.7% of Group sales, in line with the prior year and within our normalised 9-10% range.

Fulfilment expenses, which represent the costs of fulfilling online orders from our Maisons and Watchfinder, decreased by 5% at actual exchange rates and by 3% at constant exchange rates, and continued to represent 1% of Group sales.

Administrative expenses rose by 11% at actual and constant exchange rates and represented 9.2% of Group sales, 70 basis points higher than a year ago. The increase was primarily driven by salary increases, IT investments and our strong exposure to the Swiss franc.

Other expenses of 103 million euros were in line with the prior year and included non-recurring charges of 58 million euros net, primarily from a 34 million euro impairment of intangible assets and a 19 million euro impairment of goodwill at Watchfinder.

Excluding non-recurring charges of 58 million euros, operating expenses grew by 7%. Overall, net operating expenses as a percentage of Group sales increased from 43.5% a year ago to 44.8%.

At 4.8 billion euros, operating profit was robust, generating a 23.3% operating margin, 190 basis points lower than the prior year. The year-on-year change is mainly explained by the adverse foreign currency movements. At constant exchange rates, operating profit increased by 13%, with the resulting operating margin 100 basis points higher compared to the prior year. Note that operating profit came close to 4.9 billion euros when excluding the non-recurring charges of 58 million euros which were largely non-cash. Note also that we do not apply hedge accounting, hence the full impact of foreign exchange movements is reflected in our operating income.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs improved by 136 million euros to 178 million euros. This improvement reflects three main items. Firstly, we recorded a 123 million euro increase in net foreign exchange gains on the Group's hedging programme. Secondly, we benefitted from a 62 million euro positive variance in net interest expense, primarily from higher interest income. This positive variance was partially offset by a 117 million euro fair value loss on financial instruments, which comprised a 269 million euro write-down of the Farfetch convertible note now valued at nil in our financial statements – as well as a 168 million euro gain in value on the Group's investments in externally managed bond funds and money market funds.

Moving now to discontinued operations, where sales were down by 14% over the prior year at actual rates and by 12% at constant exchange rates. The operating loss, at 1.4 billion euros, largely reflected a 1.3 billion euro non-cash write-down of the net assets held for sale to fair value, considering current levels of net working capital. I remind you that YNAP remains as held for sale in our financial statements.

Let us now turn to the profit for the year. Richemont reported a solid profit from continuing operations of 3.8 billion euros, down by 93 million euros. The increase in profit for the year to 2.4 billion euros reflected the reduced 1.5 billion loss from discontinued operations and the 136 million euro improvement in net finance costs just mentioned, partially offset by a lower operating profit. Our effective tax rate for the year for continuing operations was 18.1%, in line with the envisaged 18 to 21% range.

Cash flow generated from operating activities was up 5% to 4.7 billion euros. This increase was mainly due to a 326 million inflow from the settlement of currency forward contracts compared to a cash outflow in the prior year as well as a lower build-up of inventory.

Let us now turn to gross capital expenditure, which amounted to 1 billion euros. As a percentage of Group sales, capex reached 4.4% of sales, in line with a year ago.

45% of gross capital expenditure related to point-of-sale investments, including internal and franchise boutiques as well as external points of sale. Most of the spend was allocated to boutique renovations, upgrades and relocations, notably at Cartier.

Manufacturing accounted for the remaining 24% of gross capital expenditure and related primarily to R&D and increased jewellery capacity in Switzerland, France and Italy.

Finally, Other investments, which made up 31% of capex, mainly related to IT spend.

Let us now review free cash flow, which rose by 82 million to 2.9 billion euros. This increase was primarily driven by a 205 million euro increase in cash flow from operating activities, including the cash inflow from hedging derivatives mentioned earlier. It was partially offset by higher net capex and lease liability repayments.

Moving on to our balance sheet, which remains solid, with shareholders' equity accounting for 48% of the total. Net cash amounted to 7.4 billion euros on 31 March 2024, an increase of 0.9 billion euros over the prior year. This includes the benefit of the cash inflow of 880 million euros from the exercise of warrants issued in 2020, mitigated by a 2.1 billion euro dividend cash outflow.

The Board has proposed a dividend of 2.75 Swiss francs per 1 A share or 10 B shares, which represents a 10% increase of the ordinary dividend over the prior year, subject to shareholders' approval at the Annual General Meeting on 11 September 2024.

CONCLUSION

Burkhart Grund: I will now share an update on our ESG progress. This year, Richemont has taken the next step on its journey of continuous improvement to further consolidate the Group's approach to ESG. Building on the foundations put in place last year, in FY24 we completed the development of a Group-wide ESG Management System, establishing an overarching structure to integrate policies, processes and actions, providing the framework to execute the Group's ESG priorities. This management system has enabled all the activity across the Group to be combined into a consistent, harmonised approach across Maisons, regions and functions.

Our commitment to continuing to build ESG capabilities and increasing ESG professionalism has led to the creation of the Richemont Sustainability Online Academy. The goal of the Academy is to equip all our teams with the right tools and opportunities to grow their technical ESG understanding, in a consistent manner across the Group.

Continuing with our compliance-driven approach, this year our Non-Financial Report has been developed in accordance with GRI standards, with selected GRI indicators independently assured by PricewaterhouseCoopers. The report also complies with Art. 964a-c of the Swiss Code of Obligations. We continued to act on our environmental impact, and in 2023, Richemont was recognised by the Carbon Disclosure Project for its environmental performance, receiving an A- score for climate change.

We are also pleased to report that CO2e emissions from transportation and distribution reduced by 31% vs 2022. This is mainly the result of a shift from air freight to shipping by sea. Also, as part of the Group's ongoing efforts to advance its sustainable operations, Richemont continues to pursue internationally recognised building certifications. Today, 22% of the buildings owned by the Group are certified in accordance with the highest building standards.

In terms of driving social impact, Richemont obtained global gender EQUAL-SALARY certification from the EQUAL-SALARY Foundation. This recognises Richemont's commitment to ensuring a fair and equal wage policy between women and men for our more than 38 thousand colleagues across 39 markets.

In addition, this year, the Group's Human Rights statement was published, supported by a dedicated internal Human Rights Taskforce. The statement reflects the Group's longstanding commitment to respect the human rights of all people across the business and value chain, including employees, customers, partners and suppliers. It aligns with the United Nations Guiding Principles on Business and Human Rights, and the Principles of the United Nations Global Compact, to which Richemont is a signatory.

When it comes to preserving craftmanship, we are investing in the next generation of talent to ensure that we can support our business' sustainable long-term growth. Richemont owns and partners with a number of leading schools in the fields of luxury design, jewellery making, fine watchmaking as well as luxury management courses.

We also invest in an extensive, global apprenticeship programme as part of our deep commitment to preserving special craftsmanship techniques. Back to you Jérôme.

Jérôme Lambert: Before closing, we wanted to bring the attention to our Specialist Watchmakers business area to take stock of the qualitative transformation that has taken place since the creation of the division at the end of calendar year 2017. The Specialist Watchmakers Maisons have evolved towards a sustainable business model based on client centricity and true demand. Many of the 8 Maisons have reached a new scale, and together have generated incremental sales of more than 1 billion euros since FY18, an absolute 39% sales increase.

The disciplined approach and execution of the strategy – nurturing the desirability of the brands, perpetuating and developing the 'savoir-faire' that goes into the crafted timepieces, – in careful lockstep with an evolution of the commercial and operational model, have progressively instilled resilience in the business area's economic model. As a result, the operating margin rose to 15.2% in FY24, up 550 basis points from 9.7% in FY18 while the euro depreciated from 1.14 to 0.96 versus the Swiss franc in the same period.

Let's dive deeper into the levers that our SWM Maisons have used to embed resilience in pursuit of sustainable growth and value generation:

First, by nurturing the brand equity and desirability of our Maisons with continuous investments in visibility while fostering the craftsmanship, creativity, invention, innovation and high watchmaking 'savoir-faire' that goes into developing the most exceptional timepieces. Strong and enduring demand for many collections, previously mentioned in the presentation, has led them to reach iconic status. The recent product launches at the 2024 edition of Watches & Wonders Geneva also showcased our Maisons' quest to push the boundaries in High Watchmaking. As an example, Vacheron Constantin unveiled the world's most complicated watch, Les Cabinotiers The Berkley Grand Complication, comprising 63 horological complications and 2'877 components.

Second, by accelerating direct engagement with our clients, notably through the development of directly operated stores in prime locations and alternative formats of distribution such as the Vacheron Constantin Suite 1755 in Dubai, alongside ensuring they provide the highest standards of client service. Our share of direct-to-client sales has thus reached 60% in FY24, up from 39% in FY18. If we include our externally-operated franchise stores, the total share of sales in a monobrand retail environment increases to 79%, up 27 percentage points compared to FY18, serving 2 out of 3 clients today in count.

We continue to pursue a disciplined approach to our network evolution with a strong focus on productivity and alignment with true demand. By establishing a network footprint and distribution ecosystem our Maisons are able to access full client potential and reach across markets. Our Maisons also rely strongly on our strategic retail partners to achieve these ambitions – whether in monobrand franchise stores or multi-brand stores, which also include the TimeVallée concept.

Third, by applying an uncompromising focus on clients to know and serve them better. We strive to offer and deliver a more personalised and curated engagement, and omnichannel experience with greater satisfaction throughout all touchpoints.

Finally, by further focusing on local clients across geographies, developing multi-market strength, and mastering excellence in our end-to-end operations with shorter response cycle times in order to consistently offer our clients the products they desire, in the right places. We have strengthened our teams across the organisation, reinforced the agility and flexibility of our operations, accelerated our time-to-market, and managed our inventories effectively, with a strict adherence to SOSI – sell out vs sell in- at 100% over the cycle –aligning supply with demand.

We will remain focused on these priorities as we progress on our ambition to drive sustainable and profitable growth.

Now, a few more words to conclude before we move to Q&A. Richemont delivered another year of solid financial performance while facing a continued uncertain geopolitical and macroeconomic environment.

We recorded sales growth across all regions at constant and actual exchange rates, leading to all-time high sales of 20.6 billion euros. Our Jewellery Maisons and retail distribution channel performed strongly. Both our Specialist Watchmakers and Fashion & Accessories Maisons showed good resilience over the year.

Our financials were equally very solid. Our operating margin increased by 100 basis points after excluding the significant adverse foreign currency movements but including the non-recurring charges. Cash flow from operating activities was robust and contributed to the further strengthening of our balance sheet.

We now have an increasingly balanced regional and nationality mix in terms of sales. Finally, Richemont further consolidated its approach to ESG and reached several milestones during the year.

Our Maisons are strong and agile, with resilient iconic collections. They have developed strong relationships with local clients, and increasingly rebalanced their clientele mix. Their growth potential and strength of the Group's balance sheet give us confidence in our ability to generate long-term sustainable value creation whatever the near-term uncertainty.

I would like to close this presentation by thanking all our colleagues for their commitment and responsiveness throughout what has been an intense year, which has enabled us to deliver these solid results. This concludes our presentation. Thank you.

QUESTIONS AND ANSWERS

Sophie Cagnard: Thank you, Jérôme. Before we start the Q&A, please announce your name and company name, and try to limit yourself to two questions, thank you. Okay, so first, Zuzanna, then I think it was Thomas Thomas, and then afterwards, I must say, I'm a bit lost, so we'll see who is afterwards. So, maybe we'll go that way and thereafter. Zuzanna, thank you.

Zuzanna Pusz: Thank you, Zuzanna Pusz from UBS. Maybe before I ask my questions, Sophie, thank you so much for all of your help over the past years, I'm sure we will all miss you, and congratulations to Alessandra on her new role and Nicolas as well. So, I will stick to two questions. The first one is on something that you mentioned during the presentation, it's on the performance by cluster. So, maybe if you could mention, what was the performance of the Chinese, American and European clusters in Q4 but specifically related to us, to this, I wanted to check if you could tell us, broadly, what is the mix of the various clusters right now? The reason why I'm asking, because I think there is still this misconception in the market that the Group is heavily reliant on the Chinese consumer, which I think was the case probably in the past but it is not anymore, as least per our estimate. So, I wanted to double-check that, and the second question is on maybe margins. I think it was pretty impressive, you've seen very good cost controls, so, Burkhart, well done on that, and to the team but, obviously, there was a big FX impact but it seems that, at current rates, given that you don't use hedge accounting, FX will be broadly neutral or maybe even slightly positive in FY25. So, I wanted to double check that. Sophie, can I ask a small third question please, just a very quick one?

Sophie Cagnard: No, if you don't mind, because I've seen so many hands up here. We'll come to back to you afterwards, okay? Thank you.

Zuzanna Pusz: Okay, thank you, see, I'm following the rules.

Sophie Cagnard: Yes, and thank you very much for your message, by the way, Zuzanna, appreciate it.

Johann Rupert: Well, in terms of your question on our reliance on mainland China. Some two years ago, I was quite unpopular with my colleagues, who saw their share price drop by 15%. It was in this meeting, two years ago, when we expressed the view that it would take longer for the feel-good factor to return in China. I also said that I totally believe in the medium to long term, firstly in China, in the Chinese consumer. They're smart, they study and they work, and I don't think the ascent of China will stop but we did express the view that the feel-good factor would take longer to return. We have been explaining, for decades now, that luxury goods sales really depend upon the feel-good factor, the disposable income and the availability thereof, obviously, is a determining factor but if people don't feel good, it's a natural instinct, and we felt that the lockdown would have a longer-term effect on the general feel-good factor, a deeply cohesive society. It was a jarring and scarring effect. So, we've seen, where people travel, obviously then they feel good, the same propensity is there but people act rationally, especially intelligent consumers. They are still a six-wallet group of people, both grandparents and both parents, and the majority of the people are not that affected by the bigger issues, you know, if we look at the real estate problems etc, etc, but they're acting rationally.

So, we said, 'Please, let's not rush to think that they're going to get back,' and that has proven to be the case but over the years, what we've tried to do is for 30 years, we've been trying to say that our business really is in creating desirability for products, and that depends upon the brand equity. There is the danger, luxury should not be ubiquitous because if it's everywhere and available, people start thinking, 'Well hang on, that's not luxury.' So, one has to put the handbrake on at times, that does not mean by creating false scarcity. We had the issue where,'I'll give an example, Lange & Söhne had to shut their waiting lists on some of their products, and I said to Wilhelm, 'Then stop advertising because, ultimately, I'm the person who gets the phone calls,' because a friend of a friend of a cousin of another friend would say, 'Don't you know Johann Rupert?' but, 'Well, I want this year's.' You're causing an upward funnel to me.' We had to explain to the people that this was not artificial but you need 15 years of experience to build the watch. 15 years ago, there were not that many people in Glasshütte who rushed into the watchmaking business. For instance, my wife wanted a car where the grandchildren could fit in and she wanted an SUV, a Range Rover, 18 months later, so there, it created aberrations and we looked. Now, we are fortunate today that, geographically, the demand has widened geographically.

Now, as Nicolas said earlier this morning, United States used to be East Coast, West Coast. Today, you've got Austin, you've got Charlotte, you've got Chicago, huge areas that are becoming very viable, where the demand is there. I mean, I'll go back to Coco Chanel, my heroine, who said, 'Money is money is money, it's only the pockets that change,' and we have to be there, in markets where there's a desirability and the pockets. Luckily, we fly, we're like a plane with six engines. If the one engine is not working as well, then, luckily, the others make up, so our geographical spread is far bigger than five years ago, let alone 15 years ago, and our drive is the coordination of-, and obviously pricing, you've got to make sure that there is a global pricing. With foreign exchange fluctuations, the clients are very smart, they noticed Japan was cheaper. Our clients are smart. So our Maisons will do well but the clients will buy in another area, and the Chinese travelling has not yet resumed, like before, but it will. We try not to look at the Americans, Europeans, Africans or Chinese. These people all read the same things. They all follow the same social media, and there is a universal globalisation of tastes, even though the economies are de-globalising and I'm worried about trade barriers and trade wars, if you create a universal demand, then the sales will move from geographical area. So, if you look at current, and we were a Chinese brand.

You know, I've now nearly been 50 years with Cartier, 1976, an alarm, and all of these people, Nicolas, we've been through and we've seen it. So, I wouldn't focus on Chinese demand. We, two years ago, said, 'We think it's going to be slower,' and it's turned out to be, not because of capacity but I think the lockdown left a big scar and people are recovering from it. We talk about mainland China but I don't know when any of you last went to, I would say China-related, Indonesia, Thailand, the Philippines, these are very big markets that are doing very well economically. So, I suspect that there'll be new areas, but in simple, pure economic terms, if you take the number of people in mainland China, and you take the number of people, it's a huge, huge place with many people who work very hard and were successful. So, there is no reason to believe that, when the feel-good factor starts returning, the numbers will show it. Over to you, Burkhart, for the second question. I'm not going to stick my neck out on that one.

Burkhart Grund: No, no, no, no, I mean, this is a very simple answer. I mean, we're six weeks into our fiscal year, so I cannot reliably, project or guide, which I won't do anyway, of how the FX will impact our accounts for fiscal '25. I mean, today, it's neutral. You know, dollar is pretty much stable against our average of last year. The yen, however, is significantly lower than our average, it's about 7% lower than our average of last year. The Swiss franc is a bit weaker, 1.5%. So, today, at present, six weeks in, yes, it's neutral or rather neutral but don't ask me for the full year until 31st March 2025.

Johann Rupert: If I may, it's a very good question but I'll just step back. In 2003, when most of you weren't probably born or working yet, I had to step back, that's when we had a chief executive officer with finance, everything, reporting. It was the only profit warning we ever had to issue. In that year, our luxury goods business that you know now today had an operating profit of about, I think it's €155 million, €156 million, and we got €486 million from VAT. Our operating profit dropped by 50% that year and I stepped back, but interestingly enough, since then, the Swiss franc has increased by about 40% versus both the dollar and the euro. It strengthened by about 40%. So, those of you who get Swiss franc dividends, even now costs go up because we're Swiss-based, our dividends are 40% worth more. So, this has been carrying on since 2003, that we've had to look at it. Luckily, people who are buying Swiss watches or everybody who makes real Swiss watches are exposed to the inflation, which we cautioned about. You can't have inexplicably stupid quantitative even, with 0% interest rates, for that long and then expect to get rid of it in two or three years, especially when you see the fiscal irresponsibility in the United States, where, if you look at the total debts, it's astronomical. So, we have to look at exogenous factors. Things under our control, I'm very happy about. We couldn't predict Covid, no. We should have know that we were selling too many watches in 2015. The whole industry should have known that we are bumping the market full, and we had to take that remedial action. It cost us a lot, then Covid.

So, I wanted to get back to an original CEO role but every time, there was some crisis and we lost €483 million in the first month of Covid, in April, so we had a war cabinet but we went through the stress-test of the global watch glut. Today, we have the ratio where we sell out more than we sell in. I don't know about everybody but I can tell you that responsible competitors, like Rolex and Patek, are also not flooding the market. So, there is a general responsibility of balancing demand, so for those of you who worry about the Swiss watch industry 2015 to '18, it's not that case. In terms of how, we have to accept that fiscally-responsible countries, like Switzerland, with a working democracy, will be attractive in terms of its currency. It's the perfect working democracy. I mean, I challenge you to know who the President of Switzerland is. We don't have a Biden fighting a Trump. It's heaven. However, we have to realise that it will have an appreciating currency, and with Karlheinz and all of the people, we have to make sure that our supply chain and the efficiencies in our factories, we have to improve all the time, and Burkhart will be maintaining an eagle-eye over the cost structure, and that's really all we can do. So, I'm answering a heck of a lot of questions that are coming over the next 10 minutes. Thank you.

Sophie Cagnard: Yes, Thomas, go ahead, and afterwards, I think it was Louise, Melania, please.

Thomas Chauvet: Thank you, Thomas Chauvet from Citi. A word for Sophie as well, thank you very much for 18, 19 years of fruitful collaborations and all the best to Alessandra and the team there from September. Two questions please, especially we have Nicolas and Cyrille on stage. The first one, broad one on jewellery, your jewellery sales have a bit more than doubled in the last five years, that's a 16% CAGR, that's quite impressive. The category, I think, has been maybe more resilient in the last five, 10 years than anyone had thought. It bears some resemblance to the trends we've seen in leather goods for the last decade. We all know the story of branded jewellery gaining share over the unbranded segment. Can you talk about the long-term driving force you see from here that could continue to fuel close to 10% growth at your brands, whether that's the evolution of high jewellery, self-purchase? You're quite, I think, vocal in that, Cyrille, at Cartier, bridal, entry-level lines and so on, and with greater scales, generally comes higher profitability. Are you still sticking, Burkhart, to your long-term target of 30% to 35% EBIT margin for the Jewellery Maisons? Secondly, on the Group and the structure and the important changes within the exec committee and the Board today and the return to a classic CEO role assume by Nicolas, congratulations to you, (1) what will change for the individual Maisons under this new structure?

Is it further collaboration on transversal issues, like manufacturing, distribution, marketing? Is it trying to help smaller brands grow? You've acquired Buccellati and Vhernier recently in jewellery. Is it trying to fix some underperforming brands? (2) About you, Mr Rupert, I think, this morning, in a media interview, I don't want to misquote you, you said you were not stepping back, so I assume you are still very committed to Richemont and to the control you have over the Group. Thank you.

Sophie Cagnard: Thank you.

Johann Rupert: I'll answer the last one. Somebody asked me, how is my working relationship with Nicolas going to change? It's not going to change. It's still going to be on having fun and total trust but if you want to run Richemont, you'd better understand the consumer. It's got to be a cultured person who has proven success in the field. How do you build brand equity? No, it's not stepping back, as such. Some of the direct line functions that I have, Nicolas will be shouldered with now, and I actually asked Nicolas to consider the job more than 18 months ago and he thought about it and he came back and he said, 'I'm going to have to disappoint you because I'm having far too much fun with what I'm doing right now and I don't need the hassles and the politics and everything of a CEO role.' Anton said to him, 'That's exactly why we want you. We don't want a unification power thing. We want somebody who doesn't want the job.' I joke about it but Italians do not have a monopoly about Machiavellian tactics. So, I thought, 'How am I going to seduce

Nicolas?' I put him on the SPCC and he suddenly saw it can be fun. The jewellery businesses are run autonomously. Cartier is an autonomous, big company, Van Cleef, the same. Buccellati's got its own structure. It's got its own DNA. Yes, we can help them. Vhernier is a totally different-, it's not the same DNA as Cartier. Cartier doesn't have the same DNA as Van Cleef, different psychographics totally, and obviously, every single one of the companies have their own supply chain, from the designs, through supply chain, all the way through.

If you start mixing and matching and you start joint-manufacturing, sooner or later, they all look the same, and the client profiles are different, so they will be run separately, and I think they can talk about the jewellery but the structures, Lange is Lange. Vacheron is Vacheron. IWC is IWC. They are separate companies. Yes, we can help with access to distribution, and one of the beauties today is, for a new Maison in the group, where we can help them tremendously is with access to retail. If we go and speak to a big shopping centre, a big mall, when we go there as a group, it's very helpful, very, very helpful, and maybe, you know, Jérôme can tell you about some of the big mall owners. I mean, tell them about Mr Alabbar. What's his turnover?

Jérôme Lambert: Everybody knows that Dubai Mall, today, is the largest mall is the world and it is the largest mall in the world for luxury as well.

Johann Rupert: Yes, and we're very close to him, we've been partners for a very long time. So, with our relationship, with long-standing relationship, with mall owners, that's where the smaller brands can really benefit. I would say, Cyrille, that would be the biggest benefit, Nicolas, for the smaller brands?

Cyrille Vigneron: For the smaller brand as well, there are synergies in manufacturing and in relationship with partners. As you know, jewellery is a part where there is a significant manufacturing plant or workshop for craftsmen and artisan, and this was also shared and you know that there's-,

Johann Rupert: The independents.

Cyrille Vigneron: Independent, and with the attraction of jewellery from other competitors, then they try to acquire them. So, the more we can work and develop and secure a network of manufacturing, then it helps also the growing brand to have access to the best-in-class. Otherwise, they might have more difficulties because of the new interest for jewellery, and there are a lot of innovations coming in there that might be difficult for them to acquire if they don't rely on us to do so. We have done some collaboration, very pragmatic, in Milan for Buccellati, for instance, to have them, to take over and to grow, and it worked very smoothly because we could do that. So, our presence in Italy, in France and in Switzerland is a great help on distribution as well, having access to the best malls and so forth. So, it's an accelerator for growth, and for the question of jewellery as a whole, it's one of the categories which is the most attractive on client side and the most definition of identity. The more we grow also to sustainable attitudes, meaning use more and waste less, the more watches and jewellery fit that, they are durable by nature and they can continue for a long time. You can transmit to your children in a way which is quite easy and natural. For other things, it's more difficult.

So, we see that growing interest in this way in, basically, all countries of the world, so we don't see any reason to stop. Mention for also self-purchase, and it's true for women and for men, jewellery is more and more attractive for men as well, have definition of self-identity and we see this trend growing basically everywhere.

Nicolas Bos: I can only confirm, definitely the synergies are about supporting, you know, mutually between the brands and supporting those smaller brands. It's not about applying a recipe. It's not about, you know, having the same workshop, the same teams working for different brands but as Cyrille said and as we are seeing more and more, it's really about supporting each other and also supporting the category. We are investing, co-investing, in professional schools, for instance, which we don't run directly but this is absolutely key in order to make sure that we have the next generations of craftsmen, and this is the way we're going to continue to work together. As for the category, you were saying, yes, there is the old story of branded, unbranded market, it is still a very, very valid story, still a category where the unbranded share is still extremely high and the brands continue to gain share. I think there is another potential in the years to come in that area. There are, and they were mentioned, not new markets but definitely new markets for international brands and yes, we're talking about Thailand and we're talking about some European countries. We're talking about, you know, Australia, that has developed tremendously. So, we're talking about Vietnam in the last few years.

So, we see more and more countries opening up to international jewellery, and it's one of the oldest categories in the world, I think that, you know, without going into a history but a few years ago, the archaeologist found, in Morocco, a series of 33 shells that were pierced, that date back 115 000 years ago, and this is the first necklace that was ever found, historically. So, we are a category that dates back 115 000 years ago, so it has gone through a lot of cycles, for sure, and we never can predict the future but if we survive 115 000 years, we might survive the next few decades and probably continue to grow, so that's quite promising.

Sophie Cagnard: Thank you, Nicolas.

Johann Rupert: Does that answer?

Thomas Chauvet: Yes.

Johann Rupert: I do not allow anybody-.

Sophie Cagnard: Oh sorry, you mean, the guide, the indication?

Johann Rupert: No, for a simple reason, I hate them because our clients know they're buying value. The last thing people want is buying an electric vehicle, and the moment they drive it out of the dealership, they lose 40%. We want these to be loved and valued over very many years. So, I hate this margin, margin, yes, it's nice for you but it's not very nice if you're a client. If you look at Christie's and Sotheby's and if you look at the sales there, Cartier and Van Cleef dominate in terms of value and what people get a decade later or 20 years later, and that's what we'd like to-, we'd like to have clients know that they don't lose 30% when they buy it. So, I urge people, please don't stress how much money we make out of something but we wouldn't carry on buying if we didn't think it's not a growing category. Thank you.

Sophie Cagnard: Thank you, Tomas, next is Louise and thereafter.

Louise Singlehurst: Louise Singlehurst from Goldman Sachs, thank you for taking my questions. We'll obviously ask Burkhart later offline, about the margin question, we'll come back to that later. But just to ask, I wonder-,

Johann Rupert: Which I've just given him blanket, ear cover so he doesn't have to answer.

Louise Singlehurst: Totally understood.

Jérôme Lambert: She will still ask.

Johann Rupert: I know.

Louise Singlehurst: Thank you so much for all the commentary this morning. I wondered if I could just follow up on a couple of points from Mr Rupert. You very explicitly, which is absolutely something that we concur with in terms of thinking about the feel-good factor for luxury goods, and you talked in detail about the

Chinese consumer. I mean, when we looked at the numbers this morning, the plus 7% for Europe, plus 12 for the US, fantastic numbers. You must all be absolutely delighted. But I wondered if you could just talk to us about the strength of that cohort and what you're seeing. Because obviously, the economic data wouldn't necessarily lead you to plus 12 of the US. That would be very helpful. And then secondly, you were talking about the knowledge of the customer, many congratulations to Nicolas this morning, but the knowledge about the customer and servicing that customer, how the Group has changed. You know, what do you see in that cohort? Are you engineering the Group more towards that higher-end cohort in terms of service culture? Thank you.

Johann Rupert: In terms of service culture. I get all the complaints about service. So, you know, every dinner party, not that I go out a lot, somebody's friend had bad service in that boutique. So you will remember, 20-odd years ago I started this thing of mystery shopping. Where I grow a beard and walk in. Because the sales assistants tell you all the truth. And I'm still doing it. Obviously, during Covid, it was impossible. Yes, service, service, service, service. You know, when I grew up and I started and I joined my father's company, in every elevator, and this was before all of the modern woke, there was a sign. 'The customer is your king and queen. He and she pay our salaries.' You know, and I constantly tell my people, 'I don't pay your salaries. Burkhart doesn't. We just handle the money. The clients pay our salaries.' And that is a mantra. They pay our salaries. The service, it has helped immensely. Our whole collaboration in terms of e-commerce and online, plus the longer-, a few years ago, our factories, Karlheinz and these people. The return and the warranty became so minimal because of the quality, that we were able to extend the warranty by five years. But obviously, the clients had to register. Because before then, watches being a wholesale business, we only captured 15, 18%. Less than 20. Today, the people are so willing because of this long-term guarantee of service, that we're getting hundreds of thousands of people willing to share their data. And yes, it's helped as a group. And it's continually growing.

And now with AI, if you don't have the data, you're going to be lost. Totally lost. Because what do you interrogate? You interrogate data. And you could start predicting trends. In terms of the cohort and the 12 and 8%, somebody could tell me whether President Trump is going to be found guilty or not guilty in the next three weeks. I will get a pretty good understanding of what the presidential election is going to shape up to be. And the divisive-, I love the United States. I've never seen it as divided. And that will affect the feel-good factor. You've got to read what Ray Dalio in the FT today, what are his fears? He's a very smart man. So, all things being equal with content. But things are never always, and the volatility internationally has increased so much geopolitically that we will continue to have a strong balance sheet to withstand-, because there will be a next crisis. We didn't see Covid coming. That was a real stress test. We can only control the controllables inside. With everything as it is now, I'm happy that from supply chain through to distribution, through to actually making sure we don't produce more than we can sell. But it's taken a lot of work by an enormous number of colleagues to get there. And you know, we believe warehouses. Optimise warehouses. Until Covid broke out, or the only tornado ever to hit Italy hit the bloody warehouse of our online business. Don't laugh, we're building another warehouse for Peter Millar. Not in Raleigh, North Carolina. But in Columbus, Ohio. And I thought it's the hub, it is a hub, until somebody said to me, until Scott said to me, 'It's also outside the hurricane belt.' I never thought of the hurricane belt. So that beautiful (inaudible) fragility. Really came through during Covid.

Suddenly, were really optimal and efficient. It created fragility, so there are so many moving parts. I cannot tell you what the Americas will look like post-election. Yes, the economy is showing a remarkable resilience. And I think some of it can be ascribed to their home financing and how they've gone for long-term mortgages. Whereas, for instance, the UK, inflation, it's quicker. A lot quicker. When people are on shorter mortgages. So it depends upon how consumers finance their major investments, their home ownership, for instance. And that's, I guess, country by country, society by society, how does inflation affect the consumer? Because I suspect we're going to have inflation for longer than the central bankers thought. We predicted that a year ago because we could see it, and this is key inflation, which means we've got to look at our cost structures. It also affects all of our leases, as you can imagine, over a 10, 15 year period. But please don't ask me what the cohorts are going to do. We just want to be there, like Coco Chanel says, when the pockets change we want to be in the other pocket. Or we want to be there. You know, but I'll tell you, the UAE, I mean, it's an astonishing growth. And I don't know how many Australians there are here, but I always tell my Aussie mates that thank God for them, because they're the only Anglo-Saxons that South Africans can frown upon culturally. But Australia must have a lot of immigrants because-, sorry? They're all immigrants. Nearly all. Well, all Australians are basically immigrants. But new immigrants. And you have places like Melbourne and Sydney. So, as long as we're there and as long as we desire.

Yes, I can't tell you. Europe, we have had a fantastic-, well, it's far better than I expected. Appreciation by local clientele. So we are still local. And that's why, for instance, Cyrille or Nicolas pointed out, we have to look after domestic Japanese consumers. They are very, very loyal. So we didn't just raise the prices to cope with the Chinese buyers, because we would have affected our local clientele. So we look at servicing local clientele because in the end, they're the bedrock. So, it's a very good question. It's like a lot of moving parts. You have a foreign exchange movement. Now, the first instinct is raise prices. The problem is, your local clientele who are not buying in a foreign currency, they get affected. So, we're not greedy. We like to look at what is the effect in three years, five years' time.

Sophie Cagnard: Thank you Mr Rupert. Melania?

Cyrille Vigneron: To comment on service-,

Johann Rupert: Oh, he's commenting on service because that's where I get most of my complaints from, okay?

Cyrille Vigneron: To understand the issues that can come with the volatility, and you have some areas that can be quite mild in traffic and some areas becoming really, really strong. Even Switzerland can't have in mind that the cities dealing with Chinese growth, like Lucern and Interlaken are quite soft. But Zurich is booming. Our local customers don't want to wait. So we have to adjust the side of service and it's quite difficult. In Japan, they have more and more non-Japanese buying, so you have to address both Japanese and Chinese, and the rest of Asia coming increasingly to Japan, and then have to have some staff speaking Japanese and Chinese and English, and having different expectations. I mean, at least Dubai is quite quiet, and Dubai is very strong. But in Dubai Mall, you have Emiratis expecting people to spend as much time as needed. Meaning, hours. And Chinese, as little as needed, which is minutes in Chinese. And Russia, and something different in the same store. And some don't want to queue outside. So, dealing with this service is quite difficult. We have more and more complaints. 'I don't want to wait, I don't want to have this, I was not treated properly,' and we are making our best effort to adjust, and that's why our retail is becoming increasingly know-how, not only for treatment, service, knowledge, data and so forth, but the current context, it's quite challenging.

Melania: Good morning everyone, this is Melania Grippo from BNP Paribas I would like first of all, to thank Sophie for your help, during these years, so wish you good luck for your future, and also good luck to Allessandra and James for also their future development. So I have two question, the first one on the appointment of Mr Nicolas Bos, and congratulations also to you. I would like to go back to the leadership, also the leadership of Van Cleef. Will someone be appointed soon or will you continue to oversee also that brand, specifically also as the role of CEO? And my second question is on the OpEx growth at constant FX that we should, you know, input for March 25. Thank you.

Johann Rupert: For now, I'll answer it. I'll help you. I'll help the first one. Nicolas has identified an individual but nothing's gone further than that. I don't want to announce or ask him to announce it before that has actually been put in place. So OpEx, that's you, baby. Over to you, Burkhart.

Burkhart Grund: Yes, I mean, okay. You know I would never give you a range going forward, with all the volatility that we currently see. Just, we try to keep, obviously, OpEx growth and sales growth aligned and not in linear alignment but, you know, which does not mean that we will not at times invest more than we see in the short-term sales development. So I'd say the same rule applies. We will invest what's necessary, and for the mid-term we've always had a relationship between sales growth and OpEx growth.

Melania: Can I have a small follow-up on the cost side, given the increase in the gold price, if you could please remind us what percentage of COGS is gold and how you offset it?

Burkhart Grund: Well, we're not breaking out that for obvious reasons. But what we do, once again, as we did the pricing policy over many, many years, many decades, use pricing to offset raw material price increases. Now, people are looking a lot at the recent increase in the gold price. Remember, it recycles through our P&L over 12 to 18 months in the future. So it's not an immediate hit either way, up or down. And you know, it remains consistent with our approach over the long term.

Melania: Thank you.

Sophie Cagnard: Thank you. The next question, go ahead Luca.

Luca Solca: My question, it's Luca Solca from Bernstein.

Johann Rupert: To Luca, I think we all know you by now. Thank you for saying who you are.

Sophie Cagnard: But also Mr Rupert, it's also for the benefit of webcast watchers, that's why.

Luca Solca: Thank you, Johann. Thank you, Sophie. I'm interested in getting your thinking about lab-grown diamonds because we see that they are starting to become relevant, at least in some markets. We saw that in volume, for example, they now represent 50% of the market in bridal in the USA, not in value, clearly. But the fact that you have big, perfect stones in a price range that is from $5 000 to $15 000, could potentially have an impact also in the entry price to re-market, I guess. We've seen new players coming into the market like Pandora with the punchline, 'Diamonds are for everyone,' rather than 'Diamonds are forever.' So I was just wondering what you see as the, let's say, the next five to 10 years, implications from this development that could potentially change the jewellery category in many ways? The second question is about multi-brand digital distribution. We saw recently a couple of deals that made me think because, for example, the purchase of Matches.com has been very difficult and it has been basically going nowhere, and when Coupang bought what remained of FARFETCH, we saw number of big brands, for example, the Kering brands, move out of the FARFETCH assortment. So what is your perspective on the divestiture of YNAP. Are you looking at a clean-cut divestiture or are you looking at a more complex deal, potentially, like the one you had in place for FARFETCH? And how do you see the difficulty of selling a company that loses money? Thank you very much.

Johann Rupert: Lab-grown diamonds. 30-odd years ago we were having quite a few fake-, and it used to be Cartier in those days, watches. And I'll never forget discussing it with Joe Kanoui and Alain Perrin, and Joe being the wise man that he was, said to me, one, when people buy a fake watch, a fake Cartier or fake Rolex, and their friends say to them, 'Ah, beautiful watch.' They either lie to their friend, but they're a little bit embarrassed. And then, guess what? They eventually buy the real one. And in terms of-, and you wouldn't give a fake watch to a friend, or a girlfriend or a wife or a daughter without saying it's a fake watch. It's highly embarrassing because when I had no money, I lived in New York and I bought my sister a Cartier watch. It turns out that it was a fake watch. It's still a family joke. But I was so embarrassed, I thought I had bought a real one. This was in '77 or somewhere. Now, if you are going to give somebody a lab-grown diamond, you're going to say, 'This is a beautiful lab-grown diamond, it's five carats.' Do you tell her it's lab-grown, or don't you? You tell her it's lab-grown. That's fine. But when somebody else then says, 'What a beautiful ring,' 'It's lab-grown.' Trust me, it's not got the same effect. You and I are too old. But you've got to propose to a woman. You say to her, 'I'll give you a beautiful ring, or you can have that. But by the way, it's lab-grown.' I am not sure it's got the same effect. Who knows, in five or ten years’ time. But the second problem with that is, unless you're building it with hydroelectricity unless you are using electricity that is carbon-neutral, you've got real issues.

I know there at Pandora, the owner very well. And he plays in the dunhill links. And I see him, you know we don't normally have competitors here. And he looked and said, 'I'm not a competitor of yours. My market is totally different. I am not competing with Cartier or Van Cleef, trust me.' So I think in his words, he said, 'I've got a totally different market segment.' He's a very smart guy, but he basically tried to get re-invited to the dunhill. He's a lovely guy, but it's a different business. So, do we pooh-pooh it? No. I would suspect that the first place logically would be on pavé diamonds on watches. That's where I suspect that if people buy-, I wouldn't say Patek Phillipe, I wouldn't mention a name. But they'll still think I'm buying a watch. But when you buy diamonds in jewellery and it's not real, I'm not sure. We've obviously discussed it but not Van Cleef. And certainly not Van Cleef or Cartier. You would be undermining all of the DNA. But that it will grow in certain categories. You know, it's very much like AI. You basically need a new power station if you're going to build a very, very big data centre for AI. It consumes enormous amounts of electricity. So the carbon footprint is going to be very big. And that's something we watch very carefully. They are not too open about that.

But the current processes, you've got to remember that de Beers, they were the first creators. Long before anybody else. They had a company called Boart, they had the technology 30 years ago, 40 years ago, which they used for industrial machinery, for grinding and polishing, etc. But Boart manufactured cultured or artificial diamonds. De Beers had the technology. The company was called Boart. But they did it because it was a way of creating grinding for industrial purposes. So, it's not a new technology as such. My biggest fear was that people would get a natural stone and then grow it with chemical vapour deposition. So, our buying is very specific. We've got to-, because can you imagine buying an artificial stone and somehow it finds itself into a necklace? And you bought it and look under a loupe you could see the impurity. And it looked like the real thing and we sell it to a client. So, we've been studying, Cyrille and Nicolas, we've been studying this from an integrity point of view for a very, very long time. And in terms of our whole blockchain, our whole traceability, especially after Russia with the mining. We did turn to De Beers because they can certify that these are the diamonds. And they've helped us. So, it's not something that I pooh-pooh. I mean, poor Elon Musk must really wish that CNBC or Bloomberg interview when they asked him about BYD and he started laughing and he said, 'Have you seen their cars?' 12, 14 years ago. We never laugh at our competition. I'm a bit like Ralph Lauren, we had dinner and we both agreed we're both paranoid. So we're not joking, we're not ignoring, but currently, I just don't think consumers-, I don't think you're going to have the same effect proposing to a lady or to a man, whatever in today's world, and saying, 'By the way, I got you this beautiful lab-grown diamond.' I'm not sure it's the same effect. But you asked another one there, Luca. You asked the lab and then?

Sophie Cagnard: The multi-brand digital distribution.

Johann Rupert: Sorry?

Sophie Cagnard: YNAP.

Johann Rupert: Oh, YNAP. All I can say about that is when I read a recent blogger's comment that all the buyers have disappeared, I immediately called my son and Burkhart and they said, 'No they haven't.' So there are still more people interested. But you know, we also have a moral obligation to the very many small people who are using it as a platform. And you know, you don't just dump people. So there will be a marketplace. Where we made the mistake was the business model of actually owning the stock was wrong. Because basically, you're a speculator. You buy, and you think you're going to sell it. And frankly, I didn't know how really short the fashion cycle is. If you ask people in the true fashion business how long things stay on full price in the stores, it's like this. So the FARFETCH model, and I actually feel sorry for José. He didn't cash out, at the height of the market. He didn't monetise when everybody wanted it. And he was a true believer. So actually, for one guy, I feel sorry for him. But the world changed. If when I asked in 2015 for the whole industry to get together and to support a single platform instead of everybody trying to do their own thing, it would have been a good platform. An Amazon owned by the supplier. By the trademark owners. Unfortunately, everybody went their own way, and today we've learnt an enormous amount. But you know, we keep on focusing about it. If you look at our cash cost, we spend more, to my utter horror, on consultants. We used to spend more on consultants. Used to, that's no longer the case, than our investment. I'm talking as a group in YNAP. So, we cannot predict, I cannot predict, but there are a number of people who are interested for various reasons, and it's progressing well.

Sophie Cagnard: Thank you

Patrik: Thank you. Patrik Schwendimann, ZKB. What's the current percentage of sales with the younger consumers, like, up to 33 years old? What was the recent development? What are your expectations here? Because I can imagine this was quite a substantial growth driver so far, Van Cleef, for example, and Cartier. And second question, why haven't you paid another special dividend despite the huge cash pile? What were the reasons behind this?

Johann Rupert: Why haven't we paid another special dividend? I think a 10% increase this year is very good if you look at our competitors that have less than that. Who has had a higher dividend increase this year? I don't think anybody. And two, we're comfortable having our capacity. You know, when I got to Wall Street, Milton Friedman was the guru, and Jack Welch with General Electric, embodied it. Shareholder supremacy. Everything's about shareholders. And he and I, I knew him well. We had a disagreement about the philosophy of how to run companies and Six Sigma. And I said a company is about more than just the shareholders. It's about all the colleagues, it's about the communities you live in. It's about obviously the clients, but the communities you live in, and it's got a far bigger social role than just shareholder return. And I had a debate about him, about how is it possible when you're a proxy for the US GDP, that you increase your profits every quarter, every quarter, every quarter. And that Six Sigma went to Boeing, and they replaced aeronautical engineering by financial engineering. And we see one of the great companies in the world, what happened there. And if one day, I give you a compilation of all of the investment banking suggestions that we got over the years, merger, buy that, do this, buy your own shares back. Now, when do people ask companies to buy their own shares back? At the top of a cycle. Just when they've made a lot of cash. And then, bad times arrive.

I mean, Anglo American, when I got to Johannesburg, controlled 44% of the Johannesburg stock exchange. About 20, half of it, was Anglo and De Beers that really they inherited. But people forget, when Mr Oppenheimer became the boss in '38, they missed their preference share. They bought that up. But, the second 24% they built. I fell still, I can give you a list of great companies that they built. Then what happens, they move, they get a change in the non-executive start running the company, and they appoint a person that's never been in mining. A lot of the senior executives leave to other companies, and then they were at the top of a cycle and investment bankers and non-executive directors persuaded them to do a share buyback, I think of about $12 billion. The cycle turned, and suddenly they had $12 billion worth of debt. And this unbelievable company now, when they're investing five to eight years, the mines that they want to buy happen to be developed by the current CEO, the current chairman, the Chilean copper mines. And there was an eight-to ten-year payback. What they're doing with fertiliser is eight to ten years. Now, they're getting raided. You need the fat for when the bad times come, and years ago, I said to the shareholders we'll try to grow our dividends by 15% per year on a sustainable basis. And we've managed to do that on a sustainable basis.

But in order to do that, you need cash flow. In order to get cash flow, you need to have brand equity to support the demand for your product. That is the mantra. But I've seen too many companies get into trouble during good times. And guess what happens when you really have bad times? People have to sell their best assets because nobody is going to buy the rubbish. So, we'll try to equalise it up, but I think higher than our competitor increasing dividends in Swiss Francs. Thank you.

Patrik: Thank you. And regarding the consumers?

Cyrille Vigneron: So, we have, I guess, the same for Van Cleef, a broad range, meaning attractive to all generations. There could be, of course, difference in the wealth distribution in different regions. And so for millennial customers, we're more than two thirds, and Gen Z about 20%, and some areas more than 30%. And some others can be, of course in Europe, you have a higher wealth distribution for people, who are more mature, but who wears in some ways is quite broad as well. So, we are present in all age brackets in all parts of the world. That's what had to be done. If it's too dominantly on some, either too mature or too young, can be a problem. When you can have a broad view that all generations like something basically similar, is the best. The generation buying together, or sharing things in family.

Patrik: There a recent change in the last couple of years that the young generation has, basically, really increased in terms of percentage contribution?

Cyrille Vigneron: Not so significantly. A higher range of young generation in Middle East and in China compared to, for instance, in Europe or Japan. But then it's a question of market mix. We cannot say some trend of having a much higher proportion in one segment compared to another.

Nicolas Bos: All the same, I think there is, you know, always quite a wide spectrum of customers. There is always a new and most recent generation. So, probably, you know, to me, the customers look younger today then they did 25 years ago. But maybe it's me. Yes, I think so. And then you have some phenomenon, if I'm thinking purely about Van Cleef & Arpels for reasons that we didn't do, you know, imagine or try to provoke it. We see a very strong recognition in the (mw 01.11.03), very, very young people for the Alhambra collection, for instance. And you know of people that are 15, 20, 25, they're not necessarily buying, but they're referencing that collection as desirable. Also, they are not necessarily knowledgeable about precious jewellery. Sometimes you have, you know, an impact which is a wave generated by the social media. Whether it's going to transform into sales, we'll see. But this is a good indication of, yes, the high level of desirability of all brands and traditional collections, even to very, very young generations.

Cyrille Vigneron: We can see then for Europe, in university students. Now they all want Cartier or Van Cleef. My daughter's friends all want Cartier or Van Cleef. It's a good sign.

Patrik: That's good news. Thanks a lot.

Sophie Cagnard: Thank you. I think that was Piral. Sorry if Piral can ask. It was before Patrik, so thank you. We'll go back to you, Carole, afterwards. Thank you.

Piral Dadhania: Hello. Piral Dadhania from RBC. Thank you. So, I had one long-term question and a shorter-term question. Mr Rupert, you've been quite good at calling the China trends. My question is on the longer-term demand, the demographic evolution that we're expecting to see over the next 20 to 30 years. You know, it looks like it will be less favourable than it's been in the last 20 years, give or take. So, I just wanted to see how you envisage the demand environment for luxury progressing with fewer customers to naturally speak to or to sell to. And then, on a shorter-term, just a question on inventory availability. I think comments were made that the overall demand shift is much faster these days with customers buying in different locations obviously. I think at the 3Q earnings call, one of my colleagues had some trouble purchasing a Christmas gift. So, I was just wondering, what changes have been made, and is the product more available, particularly at Van Cleef in the key locations were you're seeing increased demand? Thank you.

Johann Rupert: Well, thank you very much. Normally I get that phone call, 'Why can't I get this there?' I really wanted to talk about demographics when you talked about the younger consumers and percentage with the early. The one thing about demographics, you can't fight it, and we are seeing Japan being the leader for instance. They had the most sophisticated, but the demographic plateaus inverted. And obviously with the one-child policy, China is going to face an inverted plateau. However, we've seen in the most advanced market in Japan, a growth in the domestic clientele. So, I think that lead-lag effect is not imminent. It's really medium to long-term. But I think in most of our traditional client countries, we have ageing populations. Europe. Without immigration, the United States would have been in that position, China, for historical reasons, Japan. But we haven't seen that affecting us yet. I'm more worried about the lack of saving that, if you listen to Larry Fink, how people are living longer, healthier, and that their pensions and their savings may not be sufficient.

And another thing we have seen during this helicopter money period with national balance sheets being leveraged with more debt and that money not being spent on long-term projects, whether they be of educational or infrastructural nature, but more on consumption. So, there is a fair amount of intergenerational theft that has taken place, and people with capital like us, like me, we were offered free capital. And the people who really needed access to it were stopped. Therefore, if you recall, I predicted social disharmony. Yes, people are not stupid. They're intelligent and they realise now that there was a wealth shift that was-, and I warned about it in 2015 and I got criticised, how can Cartier worry about the poor? But it was wrong. And therefore, we see all this strife, the political tension, social fabric being torn. That, to me, is a bigger concern than demographics at this stage. And the clients who can afford to, will not wish to be seen. That's why quiet luxury, you will recall a few years ago we said less bling. And we went to less bling. Quiet luxury, if you wish to call it. But if your child is at school, parents lose their job, and it's your child's best friend's father, do you really want to drive around in a Lamborghini? I would say no. You'd go for an Audi. So, that is a trend that I think will continue, that people will become more sober, in general, hopefully that will help to abate some of the tensions, but I see social tensions as more worrisome for the total, especially the conspicuous consumption.

Sophie Cagnard: Thank you, Mr Rupert. On product availability?

Nicolas Bos: Yes, I mean, if you can give me exactly the reference of what you're looking for. But we have shortages, they are not organised. They are mostly linked to scarcity of some raw materials, some precious stones and also some high level craftsmanship. We've been developing quite nicely over the three years, so basically these capacities of, you know, production and craftsmanship have improved. Not always at the same pace as the desirability of the collection. Very difficult to predict, so we are working a lot. I think there were a lot of mentions of investments in workshops and facilities and they are quite significant for the many years to come. But they will take years also to really, you know, build the capacity we need to the right level. So, I hope, in a way, that we will keep some forms of scarcity, because it means that the desirability is still high. But we're trying to compensate that, because as the chairman mentioned, we don't believe in organised scarcity. So, we try to, you know, deliver the best possible service and the best possible satisfaction to our customers.

Johann Rupert: Maybe you can tell everybody this. I have trouble in sourcing things. It's not only the clients. I sit on waiting lists because I try not to take preference over clients, especially in limited editions. I pay full price limited edition and I have to wait, which is irritating. But on the other hand, I can't tell them don't build 20 new factories and then in two years time, we have a crunch, and then they look at me and they say, 'Do you remember that?' So, it's not deliberate, it's not manufactured. It's really, in the end, because these are not mass-produced machine products, there's a human skill and craft involved. So, you can't just open a tap. What I can tell you, it's not deliberate.

Sophie Cagnard: Thank you. Carole? If you could, thank you. Given the time, I suggest we stop after Carole. It's already 11:30.

Johann Rupert: It's your last one, Sophie.

Sophie Cagnard: Ah, yes. Sorry. Okay.

Johann Rupert: Be nice.

Sophie Cagnard: So, we'll stop after Rogerio, then. Thank you.

Carol Madre: Hi, good morning. Carole Madjo from Barclays. Two questions on the watch space, please. Could you share with us how you think about the path of recovery for the watch sector? I think you mentioned that the industry should not face the same issues it was facing ten years ago and that there is no structural issue. So, do you expect to see better trends? So, positive growth from this year onwards? And then you mentioned, I think, Vacheron Constantin and Lange & Söhne as brands that are doing well. So, is it fair to assume that watches at a lower pricing point are a bit more under pressure today? And lastly, you also mentioned that pricing power helped you sustain your margins. So, what kind of price actions have you taken last year, and how should we think about price increase this year on both watches and jewellery? Thanks.

Johann Rupert: We were laggers in taking pricing. Some of our competitors, especially should I say in leather goods and other categories, massively increased their prices. We were more reluctant, because if the economy turns, you can never drop your prices. You start dropping your prices, somebody doesn't want to-, I mean, if you look at the Tesla thing. People buy Teslas and then they drop prices by 15%. How happy are the people who bought them a month or two before? So, we are cautious in increasing prices because of greed and we were slower than our competitors in using price. We shouldn't only say Lange and Vacheron. I mean, they've both done very, very well, and Vacheron particularly. But it was a five, eight-year positioning, having clarity. Everybody knows the Patrimony and they have done extremely well. But it's not because of a recent, sudden shift. They're now part of the holy trinity. To give you an idea on pricing, the Odysseus, I had to ask the people to raise the price of the first steel Odysseus, Lange. We took it from, I think 28 to 34,000 Euros. A year later, a former client, who will not get another watch, sold the watch at auction for 92,000 Euros. There was an artificial speculation, it was like Bitcoin in the watch business for the pre-loved watches. Obviously that's returned back. That was related to scarcity or not. So, we don't use pricing.

We could have doubled the price of the Odysseus and it would have sold, but we look at the cost, so we're not short-term greedy in pricing. Yes, we have to adapt pricing in terms of inflation and in terms of cost structure. But we've not used it to increase margins. We want to remain desirable, and I think the key thing, a few years ago, we reset what we thought the Swiss watch industry-, and I said to my colleagues, forget about 20%. Think of 8% to 10%. That will be a natural, normal growth for us. And let's now look and-, please remember that it's got a very big supply chain implication. All the way through our factories. And I don't want to hire a bunch of new colleagues and then, because overestimated, three or four years later, tell them, 'Sorry, we don't have enough jobs for you.' So, I think the thing that should calm everybody down when they look at 'Swiss watch export', it's not 2015, 2016, 2017, where everybody sold as many watches as they could and suddenly the Hong Kong democracy-, you can mark the date when the democracy protests started. That's the day when the biggest watch market in the world was Hong Kong, in those days. It suddenly froze up, and suddenly all of us realised that people react to incentives. And we incentivised our people by sell in. Guess what? We should have focused on sell out. Now, with proper data management and proper communication with our wholesale, and I stress partners, because if they don't do well, we don't do well. We have a bigger grasp of the total market.

So, we have real-time data that we never had eight years ago. So, I would say-, and our competitors as well. I think Rolex can sell in hundreds of thousands more if they focus on sell in. We have good relationships with the other Swiss manufacturers, so we kind of know, because we talk to the same dealers as well. And I think the industry here is in a totally different shape to what it was in 2015-16. But if you want to really grow over high single figure, you're going to have to win market share. I think that is a given. Whereas in jewellery, the unbranded universe is still so big that you don't have to compete only against other international jewellers, because the universe is far, far bigger. Unbranded jewellery is still a very, very big percentage of global jewellery sales. But, you know, we had the quartz watch industry nearly killing the Swiss watch industry. And then mechanical watches. But then there was a total boom, growing at 30% per year. Now, those were abnormal times. I think we've back to normal times and it's still a very well run-, and I'm talking the Swiss watch industry, an increasingly well managed business. Is that enough, or?

Sophie Cagnard: Carole, if you could give-,

Cyrille Vigneron: Comment, one more thing. That it used to be also down through the watch fair, Baselworld, or Watches and Wonders now. And so, the many makers used to take orders based on the past sales and projecting and having some kind of a year, or more than the year, worth of order. So, if you expect 30%, you would push 30% in front. But if you count on 15 when there is the anti-corruption in China and that market shrinks by 50%, or when Hong Kong shrinks, it shrinks right away. So, if you have placed an order based on the plus 50% assumption and comes in the twelve months or so forth, soon you have a cliff. And so, the industry has learnt from there and knows how to have some sounding the market but not trying to place firm orders and to push whatever you have in production to have this adjustment. So, they have learnt from these things and to be more realistic.

Johann Rupert: You know, and one of our directors, I can tell you Bram Schot, who used to run Audi. Yesterday, he explained that to another non-executive director and he said, 'There's a big difference between selling and helping with buying.' The whole auto industry was helping with buying. Then Covid came and they had a natural restriction on the volume that they could produce, and the helping with buying, free discounts, etc, disappeared. And guess what, the profits exploded. So, if you are producing more than the natural market, then in the end, you either have grey market, or you have discounts. You have what he calls 'helping with buying.' I think we're all focusing today on selling. And I thought it's beautiful, I've told him I'll give him credit for when I quote him, so I have credited him.

Sophie Cagnard: Yes, it will be in the transcript, so definitely a credit. Rogerio, so we will conclude the presentation with you, given the time?

Johann Rupert: One more. One more.

Sophie Cagnard: Yes, absolutely. From Rogerio, please go ahead.

Rogerio: Thank you, Sophie. And thank you very much again for all the help over the years. I have follow up on the Jewellery Maisons and the retail KPIs. I think one of the positive surprises, I think to the market today and in recent years has been the consistent outperformance and resilience of the Jewellery Maisons with local clients in the US and Europe. Is anything standing out in terms of retail KPIs when I think about the average transaction value, or conversion, or customer retention rates, to explain this consistent outperformance versus some of your key peers? Of course, in addition to all the iconic product lines that you have. And then probably related to that, if both Cartier and Van Cleef have 14 billion sales today, much bigger than pre-pandemic levels, I was curious if the percentage of repeat customers is materially different to pre-pandemic levels? Thank you.

Nicolas Bos: Thank you. First of all, the €14 billion also includes Buccellati. I think, you know, there was historically all of these companies were really built for domestic customers and progressively also they served international travellers along the decades and a couple of decades ago the importance of international travellers became so strong, especially in Europe, that sometimes, you know, at a certain company, if I took Van Cleef & Arpels, we somehow lost track also of the domestic clienteles. It's true that was a positive impact of the Covid period is that we had to really come back to welcoming, treating, understanding domestic clienteles in Europe, in Japan, pretty much all the countries where we had had very, very strong success because of tourism before. And, at the end of the day, the teams are very good and they are retailers, and they do sell and they do understand their clients, and adapt to the specificities of the market. So, yes, in certain areas, for instance in Europe, the price point will not necessarily be exactly the same, the tastes will not be exactly the same as international travellers, Americans, Middle Eastern or Chinese in the past and we need to reconnect with the market.

I think that probably for Cartier it was, I will let Cyrille talk about it, a bit easier because they had a very, very stronger historical footprint with domestic clienteles. For Van Cleef & Arpels, for instance, it was really a reconnection in the past few years but now it's definitely an asset that we're going to protect. We hope that in the future we will see travelling customers coming back but definitely we will keep very, very strong attention to domestic clienteles.

Cyrille Vigneron: And for the element of the Maison, I think what comes first is what Johann said, it's brand desirability and for jewellery, it means having distinctive style. If you think of Van Cleef, you know it's something Alhambra, Perlee but there is a style and one thing about Cartier, they can have the iconic collections or also some other iconic lines.On the high jewellery, we will think of a Tutti Frutti or they will think of Panthère, and for an iconic line of Love, or Juste Un Clou, or Clash or Trinity, and there are several. In jewellery, you don't put your name on the product so you must have a style and you must be consistent with that. If you try to be a little bit of everything, at some point you may have some coup but it doesn't last. If you want to build it in time, you have to build strong brand equity and you have to make it recognisable style, and that's why we do year-after-year to do that. It was the same for Cartier watches, at some point it tried to do too much of everything and then it lost appeal, so let's bring it to what makes the Cartier style distinctive from everyone else and now people think of Cartier watches as something distinctive, more than before.

Even if it's, kind of, not a necessarily new model but when we launched the Panthère, it became a young product worn by young women. Even if it was dormant for some years and it's one of the best growing collections for the past eight years. So, at some point you have to be true to what the Maison is about and cultivate that. At the end, we are what we sell, so that's what we try to do. We have a rather high level of repeat customers but, of course, to grow that level we need to, of course, attract constantly new customers. So, if you say the highest percentage come from new customers but the repeat customers are quite steady growing and their repeat value is increasing, which is a good sign, and the repeat value also you can see on auction is also growing for all categories. And for one question before, the re-sell value of a lab-grown diamond is zero. It sells only once. In auctions our products sell pretty well.

Johann Rupert: But it's very interesting if you look at the auctions. The people are not buying gold and diamonds and platinums, and rubies. They're buying a product that's distinctive and recognisable as Cartier's style or Van Cleef's style. Mr Harry Winston, at first, he was very close to Mr Oppenheimer and he had at the sightings, he got preference in terms of stones in the '70s and '80s but they didn't develop the distinctive style. They sold beautiful diamonds and if you look back, those companies, they were selling stones. They weren't selling style, whereas if you look to me, you've got the Tutti Frutti there. I mean, everybody knows that's a Tutti Frutti and I'm sorry to say whenever Cartier has gone off-piste with a product that doesn't say Cartier, it didn't sell. People have the imprint and they have the imprint of consistency in style. So, that's really it's not just being a businessman, it's actually having the nose and knowing this is the style. I knew Karl Lagerfeld quite well, he was a genius, he did well at Chloe and brilliantly at Chanel but Karl Lagerfeld himself with his own brand could never work because he was so inventive, 'It's this, it's this, it's this, it's that.' There was never a single style that was maintained. But Madame Wertheimer said to him, 'There is your picture frame and you're not moving out of that frame. That's where you stay.' So, you saw Chanel, I could see Chanel, I can see it a mile away.

So, they innovated, they contemporised brilliantly but Chanel remained Chanel, and that's really we have welcoming products. In America, especially when young ladies turn thirteen, fourteen the tradition is, 'I'd like a Love bracelet.' Life is about our whole past, everything is just about memories, there's no past, future is about fears or hopes, philosophically, and it's about good memories and it's about rites of passage. If you graduate from university, your father takes you and he buys you a Cartier watch, that is among friends of mine in the United States still a rite of passage, so when you wear that watch you remember that the love of your parents that they gave to you. It's moments of history. So, when you look at history and you look at watches, on their own, it doesn't really matter but my daughters wear my late mother's watches and those are the memories of the time they spent together. So, it's a very deeply emotional and, as a friend of mine says, 'Life is about moments,' and you can't plan a moment, then it's always boring.

Planned bonamy and fake bonamy is the worst thing but somehow, and it's not necessarily luxury, it's seeing a beautiful sunset, it's what you remember and that's where, if we can memorise with our clients those beautiful memories then we'll continue to be successful. So, that's really the overarching philosophy, it's about seeing something and having a happy memory and that's why, sorry, I'm not sure you're going to look back at a cultured diamond and say, 'Oh, that wonderful time.' Thank you and now Sophie, before you're allowed to go, can you bring that the flowers?

Sophie Cagnard: Wow, fantastic.

Johann Rupert : Thank you all for coming.