RICHEMONT

FY21 Annual Results

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Alice: Ladies and Gentlemen, welcome to the Financial Year 2021 Richemont Annual Results Presentation. I am Alice, your call operator. The conference must not be recorded for publication or broadcast. At this time, it is my pleasure to hand over to Sophie Cagnard, Group Corporate Communications Director. Please go ahead.

INTRODUCTION: Sophie Cagnard, Group Corporate Communications Director

Sophie Cagnard: Thank you, Alice. Good morning everyone. While we are disappointed that, once again, we cannot host a physical meeting, Johann Rupert, Chairman, Jérôme Lambert, Chief Executive Officer, Burkhart Grund, Chief Finance Officer, Cyrille Vigneron, CEO of Cartier, Nicolas Bos, CEO of Van Cleef & Arpels, James Fraser, Investor Relations Executive and I are pleased that you are able to join the audio webcast of Richemont's 2021 Annual Results, and hope that you are all keeping well.

We would like to remind you that the company announcement and financial presentation can be downloaded from Richemont.com and that the replay of this audio webcast will be available on our website today, at 3:00pm Geneva time. Before we begin, may I draw your attention to the disclaimer on our presentation and company announcement regarding forward-looking statements, as defined in the United States Private Securities Litigation Reform Act of 1995. Also, I would like to note that throughout today's presentation, 'Hong Kong SAR' refers to Hong Kong SAR, China.

First, Jérôme will take you through the year's financial highlights and sales. Burkhart will then discuss the Maisons' key developments, Group's financials and key ESG initiatives. He will then hand back to Jérôme for insights into our digital strategy and the conclusion, which will be followed by a Q&A session. I will now hand the call over to Jérôme.

HIGHLIGHTS: Jérôme Lambert, Chief Executive Officer

Jérôme Lambert: Thank you, Sophie. Good morning ladies and gentlemen. Thank you for joining us today.

As we are all aware, it has been an unusually challenging time as we had to navigate the uncertainty associated with the global pandemic, and I would like to pay tribute to the dedication and perseverance of our colleagues at Richemont. We acted quickly and decisively on all fronts, with a primary focus on protecting the health and wellbeing of our teams, clients, partners and communities at all times. In these exceptional circumstances, Richemont demonstrated remarkable agility and resilience, delivering growth in a number of segments and geographies and a significant increase in net cash.

Richemont delivered a strong financial performance with sales for the year decreasing by 5% at constant exchange rates and by 8% at actual exchange rates. There was a marked contrast between the first and second half of the year. From April to September, sales decreased by 25% at constant exchange rates and by 26% at actual exchange rates. Following widespread temporary store closures in the first quarter, performance improved in the ensuing quarters as initial lockdown measures began to lift. From October to March, sales rebounded, with year-on-year growth of

17% at constant rates and 12% at actual rates, including a fourth quarter sales increase of 36% at constant exchange rates and 30% at actual exchange rates. This momentum has accelerated in the month of April.

Operating margin increased from 10.7% last year to 11.2%, despite operating profit slightly decreasing to € 1.478 billion, given good cost discipline and a sharp rebound in sales in the second half of the year.

Profit for the year amounted to € 1.289 billion, a 38% increase from € 931 million in the prior year.

Cash from operating activities was strong with an € 848 million improvement and, at € 3.393 billion, our net cash position was almost € 1 billion above the prior year.

To help you compare our fourth quarter and full year sales to pre-Covid-19 levels, here we are providing our sales by business area on a two-year basis. Overall, fourth quarter sales were 10% and 7% above levels seen two years ago at constant and actual exchange rates, respectively. The Jewellery Maisons and Online Distributors both delivered growth above the 2019 levels for this period. Sales at the Jewellery Maisons were 28% and 24% higher than in Q4 2019 at constant and actual exchange rates, respectively. Sales at the Online Distributors were 7% higher at constant exchange rates and 4% higher at actual exchange rates. The Specialist Watchmakers and Fashion & Accessories Maisons were more impacted by the pandemic, due to their greater reliance on wholesale sales. Their respective fourth quarter sales were lower than in the same period two years ago. Full year sales compared with FY19 showed a similar pattern with Jewellery Maisons and Online Distributors posting higher sales, while Specialist Watchmakers and Fashion & Accessories Maisons recorded lower sales.

Now, turning to some of the year's highlights. Faced with the unprecedented impact of the global pandemic, our colleagues acted quickly to preserve cash and find new ways of engaging with clients. As a result, the Group was able to deliver a strong financial performance, led by the Jewellery Maisons, online retail and Asia Pacific. Notably, the Jewellery Maisons grew sales beyond pre-Covid levels with a 31% margin, a testament to their enduring appeal. The Specialist Watchmakers returned to growth at constant rates in the second half of the financial year. Their teams adapted swiftly and efficiently to changing levels of demand, effectively managing large swings in production from a trough in Q1 to a peak in Q4

Mainland China was the first among major markets to begin recovering from the pandemic and generated triple-digit growth for the Group as the Maisons' strong local presence and the lack of outbound travel contributed to increased domestic spending.

Notwithstanding lockdown measures, retail sales delivered growth at constant exchange rates. Online retail sales at our Maisons grew by triple digits underscoring the success of our digital transformation. This led to a penetration rate of online sales that more than doubled to over 7%, from less than 3% of Maisons sales in the prior year. Overall, online sales accounted for 21% of Group sales.

We were fortunate that the digital transformation we embarked on several years ago was already well underway when the pandemic hit. This activity has accelerated rapidly over the past year as many in-person interactions, such as fashion shows, launches and the Watches & Wonders fair were successfully transformed into virtual events. Our Maisons also implemented fully digitised fashion showrooms, virtual boutique visits and the Online Distributors benefited from improved use of artificial intelligence. In recent years, we have made strong efforts to increase direct communication and engagement with end-clients. This has served us well and now over ¾ of our sales are generated directly with end-clients.

In this context, cost and working capital discipline were essential, and thanks to the efforts of our teams, Richemont was able to achieve a significant increase in cash from operating activities and free cash flow versus the prior year, as the recovery started to gather pace.

OPERATIONS: Jérôme Lambert, Chief Executive Officer

Jérôme Lambert: Let me now walk you through the Group sales performance: first by region, then by distribution channel and finally by product line. Let us first look at a geographical overview of sales at actual rates. Sales decreased in all regions except in Asia Pacific where double-digit growth partially mitigated declines in other regions. Europe and Japan were the most affected by reduced travel and temporary store closures. This pronounced divergence in performance between geographies led to a rebalancing of the regional sales mix. With mainland China leading the macroeconomic recovery, it has now become the number one location in terms of sales, and Asia Pacific at present posts a larger proportion of sales than Europe and the Americas combined.

In the upcoming slides on sales please note that changes versus last year are expressed in constant currencies, unless stated otherwise. Let us begin the regional review with Europe. Sales declined by 30% and were significantly impacted by recurring periods of temporary store closures, the shutdown of a number of distribution centres in the first quarter and a continued lack of international tourism. This was only partly mitigated by increased local demand. All main markets recorded double-digit declines except Russia.

We saw a notable improvement in the second half of the year, with the decline in the fourth quarter limited to 7%.

The Maisons' online retail sales grew by triple digits, helping online retail in the region achieve moderate overall growth. Sales in the retail and wholesale channels both recorded double-digit declines. All business areas posted lower sales, although the relative outperformance of the Online Distributors is worth mentioning.

Sales in Europe represented 23% of Group sales, down from 30% in the prior year.

Let us now move to Asia Pacific, where sales increased by 22% for the year with varying performance across the main markets. Sales in mainland China grew by 107%, benefiting from a strong local presence and international travel restrictions which favoured strong domestic spending. Thanks to the Group's historical presence on Hainan Island, Richemont benefited from the impressive growth of this duty-free hub. The lack of mainland Chinese tourism weighed heavily on Hong Kong SAR and South Korea, though both locations saw a noticeable improvement in H2 with only single-digit declines in sales. Overall, sales in the region grew by triple digits in Q4, albeit with less demanding comparatives as the impacts of the pandemic were felt from the fourth quarter of the prior financial year.

Both the Jewellery Maisons and Specialist Watchmakers posted double-digit sales growth, including triple-digit growth for both business areas in mainland China, while sales for the Fashion & Accessories Maisons and Online Distributors declined. Retail sales increased across all business areas, and online retail enjoyed double-digit growth, including triple-digit growth in the Maisons' online retail. Wholesale sales declined only slightly, with growth at both the Jewellery Maisons and Specialist Watchmakers.

Overall, sales in Asia Pacific increased to 45% of Group sales from 35% a year ago.

Let us now look at the Americas, where sales accounted for 18% of Group sales, compared to 20% in the prior year. Overall, sales declined by 10% year-on-year, but we saw sequential improvement as the year progressed and the effects of the pandemic began to recede, with economic activity gaining traction. Sales were flat or increasing from Q2 onward, including a robust 21% increase in Q4. Online retail sales showed strong growth, with a triple-digit increase from the Group's Maisons. This was more than offset by lower sales in other channels. Jewellery Maisons showed relative strength with single-digit sales growth while sales at the other business areas declined.

Let us now turn to Japan, where sales for the year were 21% lower than the prior year and affected throughout the year by international travel restrictions and a sharp fall in inbound tourist spend. Second half sales showed growth, albeit with easier comparatives due to the prior year impact of the VAT increase in Q3 and the impact of the pandemic in Q4. Sales were lower in all business areas. In terms of channels, online retail posted good growth on the strength of the Maisons' online sales, which more than doubled. Sales in the region represented 7% of Group sales, broadly in line with the prior year.

And finally, Middle East and Africa, where sales rose by 4% for the year, with a sharp increase in the second and third quarters due to increased tourism spend and resilient local purchasing that partly benefited from a repatriation of sales from locations with travel restrictions. Double-digit increases at the Jewellery Maisons and Online Distributors more than offset declines in the other business areas. Increased retail sales were partly due to the internalisation of Jewellery Maisons' operations in Saudi Arabia. Online retail sales grew by double digits with solid growth from the Online Distributors and the development of the Maisons' online offer. Sales in the region accounted for 7% of Group sales, in line with the prior year.

Let us now turn to sales by distribution channel. First, the retail channel, which is by far our largest channel, contributing 55% of Group sales, up from 51% in the prior year. Retail operations were impacted by recurring periods of store closures due to the pandemic. Consequently, sales in our 1 190 directly operated boutiques rose by 2%. Asia Pacific and the Middle East and Africa grew while the other regions saw declines, although in the Americas it was limited to single digits. Strong growth at the Jewellery Maisons more than compensated for declines in the other business areas. Sales in the fourth quarter increased by a robust 62%.

Second, online retail, which includes sales from NET-A-PORTER, MR PORTER, YOOX, THE OUTNET and the online sales of Watchfinder as well as the Group's Maisons. Sales rose by 9% supported by growth across all regions, led by Asia Pacific and Middle East and Africa. In the fourth quarter, sales increased by 22%, partly benefiting from new flagship stores on Tmall Luxury Pavilion. At the Group's Maisons, sales grew by triple digits in all regions, now representing 7% of sales excluding the Online Distributors and with North America contributing more than 50% of the total. Online retail sales accounted for 21% of Group sales, up from 19% a year ago.

Direct-to-client sales, a combination of both online and offline retail sales, represented around three quarters of total Group sales.

Third, wholesale, which includes sales to franchise and multibrand retail partners as well as royalty income. Wholesale sales were 25% lower than in the prior year. Temporary store closures, a lack of travel retail and a lower digital penetration all contributed to this decline. Sales were down in all business areas and regions, with Asia Pacific however broadly in line with the prior year. Wholesale sales stood at 24% of Group sales, compared to 30% a year ago.

Burkhart will now take you through the Maison and segment highlights. Over to you Burkhart.

OPERATIONS continued: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Thank you Jérôme. Let me review our business areas – with all numbers at actual rates – and starting with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels. The Jewellery Maisons demonstrated continued strength with full year sales rising by 3%. Sales improved significantly as the year progressed, with fourth quarter sales up by 54%. As a result, full year sales exceeded pre-Covid levels. Both Asia Pacific and the Middle East and Africa recorded solid double-digit growth and, in the Americas, sales were resilient with a low single-digit decline. Robust sales growth in the retail channel, notwithstanding recurring store closures, and a triple-digit increase in online retail more than offset lower wholesale sales.

The operating result improved by 11% and the operating margin was solid, increasing to 31%. This 220 basis point improvement over the prior year can be explained by sales growth and strict cost control which successfully mitigated higher gold prices and a stronger Swiss franc. As was the case last year, investments were focused on digital initiatives and selected store openings and renovations. Let us look at the main developments over the past six months.

The teams showed incredible agility and flexibility in reacting to site closures, a sharp drop in demand at the beginning of the year followed by a sharp recovery. Their management of production, inventory levels, product launches, overall resources and engagement with clients was commendable.

The Maisons successfully enriched their product offerings to support the enduring appeal of their most iconic collections. In jewellery, new references were added to the *Clash* and *Juste un Clou* collections at Cartier; to the *Alhambra*, *Perlée* and *Frivole* collections at Van Cleef & Arpels and to the *Macri* and *Tulle* collections at Buccellati, to name a few. In watches, Cartier relaunched *Santos* and introduced the *Maillon de Cartier* while Van Cleef & Arpels added new references to its *Frivole*, *Pont des Amoureux* and *Poetic Complications* watch collections.

The Jewellery Maisons leveraged their omnichannel capabilities to capture growth opportunities arising from changing consumption patterns. These initiatives included distant sales and new digital interactions with clients through online and mobile platforms. Digital events, such as the *Watchmaking Encounters* platform at Watches & Wonders or the digital preview launch for

Cartier's high jewellery *[Sur]Naturel* collection, ensured that our Maisons were able to interact with clients.

Selective investments in renovations and store openings continued throughout the year and included renovations of the Dubai Mall and Paris Saint Honoré boutiques for Cartier or the Wuxi Centre 66 renovation in mainland China for Van Cleef & Arpels. Buccellati expanded internationally and Van Cleef & Arpels launched an online flagship store on Tmall Luxury Pavilion.

Let us now review our Specialist Watchmakers business area, which consolidates the results of eight Maisons. Sales were 21% lower than in the prior year, with a significant improvement in the second half, including an 11% increase in the fourth quarter. For the year, Asia Pacific recorded a double-digit sales increase, including a triple-digit increase in mainland China, while sales declined in other regions. There was triple-digit growth in online retail, and sales in the retail channel were resilient, registering a single-digit decline. Wholesale sales suffered the most, as the pandemic had a more pronounced impact on multibrand retail partners. Due to a close partnership with our retail partners, inventories continued to be tightly monitored with the ensuing sell out-sell in ratio above 100%.

The operating margin decreased by 470 basis points to 5.9%, largely due to lower levels of manufacturing capacity utilisation, higher gold prices and a stronger Swiss franc. These were partly mitigated by tight cost control and reduced investments, which were targeted at select boutique renovations, new franchise and online flagship stores openings, as well as research and development initiatives. Of note is cash generation, which was significantly stronger than last year.

Sales reflected the lasting appeal of iconic collections with launches mainly focused on new references across iconic lines. These related to the *Portugieser* and *Pilot* collections at IWC, the *Master* and *Reverso* lines at Jaeger-LeCoultre, the *Luminor* family at Panerai, the *Possession* and *Limelight Gala* lines at Piaget as well as the *Overseas* collection at Vacheron Constantin.
The Specialist Watchmakers Maisons accelerated their digital transformation, with innovative online events such as Watches & Wonders – which were complemented by physical events in Shanghai and Sanya – and digital campaigns on Tmall, NET-A-PORTER and MR PORTER. Several Maisons further engaged with clients through virtual boutique experiences, as for example IWC, Piaget and Roger Dubuis, in support of distant sales.

The retail network increased, with new store openings, mostly franchise, in mainland China and South Korea. In addition, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget and Vacheron Constantin all launched flagship stores on Tmall Luxury Pavilion.

Now let us move to Online Distributors. Sales of our Maisons' products on NET-A-PORTER, MR PORTER, YOOX and THE OUTNET are shown under both the Maisons' respective business areas and Online Distributors. They are subsequently eliminated under "intersegment eliminations".
Sales contracted by 9% to € 2.197 billion. After the closure of several distribution centres in the first quarter of the year, sales showed sequential improvement and rose by 3% in the fourth quarter compared to the prior year period, with a positive performance in the second half. For the year as a whole, growth in the Middle East and Africa could not offset declines in other regions, although Europe and Japan demonstrated relative resilience. We continued to see a highly

competitive pricing environment for online fashion. This benefited the off-season businesses of YOOX and The Outnet, which together posted higher sales, but it proved to be a challenge for NET-A-PORTER and MR PORTER, where lower stock levels and temporary site closures also weighed on sales.

The operating loss improved by € 18 million to € 223 million, reflecting strong cost control; strict cash preservation measures led to an improvement of the inventory position. Compared to the prior year, the EBITDA loss halved to € 37 million despite increased custom duties related to Brexit. The cash outflow decreased steeply as a result of a strong inventory focus, notwithstanding continued investments in information technology.

Let us now look at some key developments over the past year. As part of the previously announced succession plan, YOOX NET-A-PORTER welcomed a new CEO, Geoffroy Lefebvre, at the beginning of January. Prior to his new role, Geoffroy drove the expansion of Richemont's e-Commerce initiatives and previously has held several other executive positions within Richemont. This appointment reflects the need for a new organisation to support an evolution of the business and operating models as Jérôme will explain later.

The migration to NET-A-PORTER's new global technology and logistics platform made good progress and is on track for completion in the autumn of this year.

NET-A-PORTER and MR PORTER successfully expanded their watch and jewellery offer, with new launches, product curation, interviews and editorial content. In mainland China, through the joint venture with Alibaba which is developing according to plans, a digital Watches & Wonders campaign was successfully run on Tmall during April and September.

Watchfinder continued its internationalisation with new stores opened in September in Geneva and in November in Paris. Overseas sales now account for over 16% of sales. Watchfinder is also collaborating more closely with Richemont Maisons and other businesses through a 'Part exchange' programme, which is now available in more than 80 of the Specialist Watchmakers' boutiques, and since March through the personal shopping service at NET-A-PORTER and MR PORTER.

Finally, let us move to the Other businesses, which primarily include the Group's Fashion and Accessories businesses and the Group' s unbranded watch component manufacturers. The 25% sales decrease was broad-based, with double-digit declines in all regions, despite relative outperformance in Asia Pacific thanks to strong growth in mainland China. Wholesale sales were notably impacted by temporary store closures particularly in Europe and international travel restrictions with its resulting decline in travel retail sales. Online retail recorded strong growth and represented 17% of sales, an increase from 9% a year ago. Peter Millar showed resilience, with only a limited sales decline.

Operating loss increased to € 241 million. Cost mitigation and strong cash protection measures were deployed early into the year, yet were not able to fully mitigate the adverse effects of the reduction in sales.

In terms of main developments at the Fashion & Accessories Maisons, there have been notable enhancements in leadership and creativity, with the arrival of Philippe Fortunato in September as

CEO of Fashion & Accessories Maisons and new creative directors at Alaïa, Chloé and Montblanc.

In line with the Group's strategy, the Maisons made good progress on their digital transformation agendas. Peter Millar launched a new e-commerce platform with a richer customer experience. Chloé, dunhill and Montblanc all opened new flagship stores on Tmall Luxury Pavilion, further enhancing their presence in the important Chinese market. Meanwhile, many Maisons introduced digital fashion shows and fully digitised showrooms.

In addition, the highly-acclaimed launch of AZ Factory took place in January.

Across our Maisons, core categories and iconic products, including writing instruments at Montblanc, leather goods at Chloé and menswear at dunhill were resilient. This was supported by notable product launches such as the *Editions* collection at Alaïa, additions to the *Woody* collection and Gabriela Hearst's first collection at Chloé, the *Petit Prince* and *Planet* writing instruments at Montblanc, and the further expansion of *G/Fore* at Peter Millar.

FINANCIALS: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Let me walk you through the rest of the P&L, starting with gross profit. Gross profit decreased by 9% and gross margin by 70 basis points. The 59.8% margin was primarily impacted by lower manufacturing capacity utilisation due to Covid-19 and adverse currency movements. The impact of a stronger euro against the US dollar and Renminbi affected sales, and a stronger Swiss franc also weighed on costs as did higher gold prices, a sales shift towards locations with higher duties and a highly competitive pricing environment in online fashion, albeit to a lesser extent. These factors more than offset the positive impact of a greater share of online and offline retail.

Let us now look at net operating expenses. At € 6.383 billion, operating expenses were down by 10%, a rate which outpaced the decline in sales. At constant exchange rates, operating expenses were 9% lower, demonstrating strict cost discipline. I will now walk you through the expenses by category.

Selling and distribution expenses, which accounted for 51% of total operating expenses, decreased by 8% at actual exchange rates and by 5% at constant exchange rates, in line with the decline in sales. This reflected strict cost control from the beginning of the year, € 67 million in rent relief relating to store closures and 46 million from government support schemes.

Communication expenses fell by 27% at actual exchange rates, or by 26% at constant exchange rates primarily as a result of aggressive cost cutting, during the first half of the year, as well as the cancellation of physical events throughout the year. This resulted in a lower communication expense ratio of 8%, down from 10% in the prior year.

Fulfilment expenses increased by 1% at actual exchange rates and by 3% at constant exchange rates. Higher fulfilment costs resulted from the strong increase in online sales partly offset by lower expenses at the Online Distributors.

Administration expenses declined by 5%, or by 4% at constant exchange rates. Expenses included expenditures in IT and 'new retail' initiatives at the Online Distributors and Maisons.

Other expenses, at € 272 million, were 7% higher than the prior year, at both actual and constant exchange rates. This increase was primarily due to a non-recurring investment property expense.

Net operating expenses as a percentage of Group sales decreased by 120 basis points, from 49.8% a year ago to 48.6%.

A resilient gross margin and rate of costs decline that outpaced the rate of sales decline contained the reduction in operating profit to 3% versus the prior year. Of note is the operating margin that was up by 50 basis points compared to the prior year, at 11.2%.

Let us now review the rest of the P&L items below the operating profit line, starting with finance income.

Net finance income amounted to € 25 million compared to a net finance cost of € 337 million in the prior year. The € 362 million positive swing can be explained by several items: a € 294 million favourable variance on non-cash net foreign exchange gains on monetary items and a € 255 million improvement in fair value adjustments, mostly related to the Farfetch and Dufry convertible notes. These positive factors more than offset a negative swing of € 72 million from financial income to financial expense, primarily due to lower interest income and higher bond interest expense, and a € 124 million negative swing in hedging activities.

Let us now turn to the profit for the year, which increased by 38% to € 1.289 billion, with the profit margin rising by 330 basis points to 9.8%. The increase primarily reflected the € 362 million positive swing in net finance costs just seen. Our effective tax rate for the year amounted to 15.1%, versus 22.6% in the prior year, a rate broadly aligned with the 14% Swiss tax rate. This rate also reflected lower trading in higher tax jurisdictions, better trading in lower tax ones, and the unrealised, non-cash investment gain in Farfetch notes which led to a non-tax gain.

At € 3.218 billion, cash flow generated from operating activities, was 36%, or € 848 million, higher than the prior year. This is mainly explained by a € 856 million positive swing in working capital due to strict cash protection measures implemented early in the year, with a reduction in inventories and increased trade payables more than offsetting increased trade receivables as a result of increased wholesale orders in the fourth quarter.

Let us now turn to our gross capital expenditure, which amounted to € 513 million, 30% lower than the prior year. Investments were significantly reduced in order to preserve cash without compromising strategic progress, with a focus on the selective renovation or relocation of existing boutiques, and investment in IT mainly at the Online Distributors. Capital expenditure as a percentage of Group sales amounted to 3.9%, compared with 5.2% in the prior year.
45% of gross capital expenditure related to points of sale investments, including internal and franchise boutiques. Renovations included Cartier boutiques on rue de la Paix in Paris, in the Dubai Mall in the United Arab Emirates and on rue du Rhône in Geneva, as well as Van Cleef & Arpels in the Prince's building in Hong Kong SAR. Relocations included Vacheron Constantin on Madison Avenue in New York and Cartier in Osaka, Japan.

Manufacturing spend accounted for 13% of gross capital expenditure, and related primarily to R&D and machinery, mostly at Cartier and the Specialist Watchmakers.

Other investments accounted for the remaining 42%, mainly reflecting investments in information technology at NET-A-PORTER and YOOX.

Let us now turn to free cash flow. Free cash inflow amounted to €1.790 billion. This € 766 million increase compared to the prior year primarily related to the higher cash flow from operating activities, lower capital expenditure and lower lease payments, partly due to rent relief, all of which more than offset investments in the Farfetch convertible notes issue.

And now, on to our balance sheet, which remains very strong, with shareholders' equity accounting for 51% of the total. Net cash increased to €3.393 billion at 31 March 2021, up from €2.395 billion at the end of the prior year, as a result of the items discussed on the previous slide.

The Board has proposed a dividend of 2.00 Swiss francs per 1 A share or 10 B shares. The doubling of the dividend over the prior year, back to pre-Covid levels, reflects an improving economic environment, solid cash flow generation and attractive long-term prospects for the luxury goods industry.

CONCLUSION: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Before summarising the past year's performance, let me update you on the progress we have made on our sustainability roadmap.

Richemont has a long-standing commitment to doing business responsibly. In 2019, we stepped up our efforts with the introduction of our transformational CSR strategy named 'Movement for Better Luxury'. Recognising the need for continual progress, our targets have been grouped under short-, medium- and long-term targets. While our 2021 Sustainability Report will be published in July, let me highlight some of the good progress made across our main focus areas.

We have strengthened our governance through the creation of a Governance and Sustainability committee, which is made up of non-executive Directors, with senior executives and ESG specialists attending. Its purpose is to assist the Board in reviewing and approving management proposals regarding strategy, policies, and guidelines on environmental, social and governance matters. It will also provide direction on best practices and ensure compliance with all relevant regulatory requirements. This represents active engagement from the highest levels of Richemont's organisation and shows how seriously we take these responsibilities. Richemont is also co-chairing a new SDG taskforce launched by the Responsible Jewellery Council last month to track and aid members' progress in implementing the 17 UN Sustainable Development Goals.

On the social front, we have introduced WeCare, a global employee assistance programme to support our colleagues' wellbeing. We have launched dedicated training for our teams on diversity, equity and inclusion matters. We have also initiated the development of a Global DEI community which is led by the Heads of DEI who we began appointing across the Group, Maisons and geographies some two years ago. We continue to give back to the communities in which we operate and have rolled out a global volunteering framework to encourage increased volunteering. In addition, we have launched several initiatives through our Maisons to promote children's education and literacy, notably by partnering with UNICEF.

Richemont is committed to transparency and traceability in raw material sourcing and will continue to work collaboratively with industry organisations and business partners to promote best practices across our full supply chain. We are committed to respecting responsible business practices, human and labour rights, and the environment. Today, over 95% of the gold we purchase is RJC Chain of Custody certified and comes from recycled origins. After several years of collaboration with peers through the Coloured Gemstones Working Group, we participated last month in the launch of the Gemstones and Jewellery Community Platform to promote responsible business practices across the gemstone industry.

Richemont has committed to sourcing 100% renewable electricity across Group operations by 2025, in line with RE100 initiative objectives, and is finalising its formal commitment to Science-Based Targets in line with the Paris Agreement.

The 2021 Sustainability report will report against our short-term targets to March 2021 and will include enhanced disclosure in areas such as water consumption.

Let me highlight a few noteworthy sustainability initiatives:

In 2020, Cartier established the 'Cartier for Nature' fund to preserve biodiversity and healthy ecosystems across the planet. The Maison also participates in the Richemont-led Plastic Shift Initiative, and since 2020 has eliminated all single-use plastics from packaging.

This March, IWC achieved certification to the stringent Chain of Custody standard of the Responsible Jewellery Council, and is the only Swiss luxury watchmaker qualified to-date. Other Specialist Watchmakers are on their way to obtaining certification.

At the 2021 Watches & Wonders fair, Panerai revealed its *Submersible eLAB-ID* concept watch, made of 98.6% recycled-based materials by weight, the highest percentage of recycled-based material ever in a watch.

The appointment of Gabriela Hearst has accelerated Chloé's ambition towards lower-impact materials. In its first show, more than 80% of cashmere yarn was recycled and more than 50% of silk came from organic agriculture. In addition, ESG metrics have been incorporated into Chloé's senior executives KPIs.

At YOOX NET-A-PORTER, the Infinity programme aims to promote circularity through a number of pilot initiatives to reduce pre- and post-consumer waste, and empower customers to make more conscious, sustainable and circular choice purchases, notably through their NET SUSTAIN offer.

Moving back to numbers now, with some final words on our financial year performance from my side.

First, Richemont delivered a strong performance in exceptional circumstances, with a sharp rebound in the second half, led by the Jewellery Maisons, online retail and Asia Pacific, especially in mainland China. The Jewellery Maisons generated sales exceeding pre-Covid levels, and a solid

31% operating margin, highlighting the enduring appeal of Cartier, Van Cleef & Arpels and Buccellati.

Second, our strategy was executed with discipline and agility. From the outset of the pandemic, our teams reacted swiftly to manage costs and protect cash, which led to an improved operating margin and substantially higher cash flow from operating activities and free cash flow. We have an efficient and well-established process to manage the sell in – sell out ratio with our wholesale partners. This control has contributed to tight inventory management. While our digital transformation began a few years ago, this year we witnessed benefits from our progress to-date, and saw an acceleration of 'new retail' and digital initiatives as Jérôme will expand on shortly.

Third, as just reviewed, we further progressed on our transformational CSR journey.

Fourth, our strong balance sheet with a net cash position of € 3.4 billion euros not only acted as a fortress but also provided flexibility and acted as an engine to support our ambition. Back to you Jérôme.

CONCLUSION continued: Jérôme Lambert, Chief Executive Officer

Jérôme Lambert: Thank you, Burkhart. Before concluding, let me share with you some insights into our digital strategy.

This year Richemont's digital journey has accelerated strongly. Online retail sales at our Maisons grew by triple digits, and represented 7% of our Maisons' revenues compared to less than 3% a year ago. In addition, digital initiatives supported our ability to connect with customers and thus underpinned our retail sales performance. Maisons leveraged new tools and communication channels, including mobile sales, video and social media interactions, to enable more diverse customer journeys. This led to significant distant sales.

We have strengthened our 'new retail' foundations, with the rollout of our Salesforce CRM programme across 8 Maisons and a clienteling application for sales assistants which enables a better use of data. Most of our Maisons and businesses have now localised their websites in the Middle East, and will now pursue this in other locations. New omnichannel routes have been activated, such as Montblanc's and Cartier's 'click from store' and boutique appointments, and we have implemented new touchpoints with customers, notably in mainland China with 9 new flagship stores on Tmall Luxury Pavilion. We have also made progress in upskilling our teams through digital training programmes and new hires.

In November, we announced a partnership with Alibaba and Farfetch to accelerate the digitisation of the luxury industry and to provide luxury brands with enhanced access to mainland China. This includes a 300 million US dollar investment by Richemont in private convertible notes issued by Farfetch Limited and our intention to take a 12.5% stake in a joint venture being created in mainland China with Farfetch and Alibaba.

Another important part of our digital strategy relates to the evolution of the business and operating models at NET-A-PORTER, MR PORTER, YOOX and THE OUTNET. To complement their wholesale offer, NET-A-PORTER recently introduced a consignment offer for some key brand partners. This transition to a hybrid model, mixing 1P and 3P, will accelerate this financial year. For YOOX, we are looking to establish a market place offer during financial year 2022.

The operating model of these businesses is also evolving in several key areas. We are progressing with the localisation of our operating models to capture even more growth, notably in mainland China and the Middle East, building on strong local partnerships. The businesses are also increasingly tech savvy. The migration of NET-A-PORTER to a new platform will enable a single view of the inventory and of customers to improve service and support sales. Ultimately, all these evolutions will enable us to better meet end clients' and partners' needs and lower our capital requirements.

In conclusion, Richemont, its Maisons and businesses demonstrated strength in the face of unprecedented levels of global disruption. Our performance was supported by several factors. First, the brand equity of our Maisons is rooted in their strong heritage, craftsmanship, creativity and innovative spirit, which strengthens their enduring appeal. Second, the ability to connect with clients through 'new retail' initiatives and a customer-centric mindset, reinforced by a strong local presence in markets such as mainland China, the US and the Middle East where demand recovered faster. Third, Richemont showed agility, adapting quickly and prioritising investments into the most strategically important areas.

It is worth reiterating that, through online and offline retail sales, ¾ of our Maisons' sales are now directly generated with end clients, which enables a closer relationship with and better understanding of our clientele.

Finally, the strategic partnerships we have forged over recent years with – for example – Alibaba, Dufry, Watches & Wonders, and through TimeVallée – have enabled us to seize meaningful growth opportunities. We very much believe that partnerships make you stronger, and we will continue to take this approach.

I would like to close this presentation by thanking all of my colleagues throughout the organisation for their dedication, ingenuity and discipline during what has been a challenging year for everyone. Together, we will craft the future.

This concludes our presentation. Thank you for your attention. I will now hand back over to Sophie.

Sophie Cagnard: Thank you Jérôme. We can now start the Q&A session. Before posing your questions, kindly announce your name and your company's name, and try to limit yourself to two questions please. Thank you.

QUESTIONS AND ANSWERS

Sophie Cagnard: Thank you Jérôme. We can now start the Q&A session. Before posing your questions, kindly announce your name and your company's name, and try to limit yourself to two questions please. Thank you.

Operator: The first question comes from the line of Louise Singlehurst with Goldman Sachs. Please go ahead.

Sophie Cagnard: Good morning, Louise.

Louise Singlehurst: Hi, good morning everyone. Thank you very much for taking my question and the details so far. Sticking to the two questions, if we look at the Jewellery Maisons to begin with, I wonder if you could help us think about the retail component? Obviously, the 62%, would it be fair to assume retail would be nearer the 80% mark if we look at the wholesale dynamic going through there as well? I wonder if you can talk about, obviously, volume, but the positive impact from mix going on in the quarter? Then secondly, if we could just have a look at the hybrid model. It sounds very interesting for YOOX and NET-A-PORTER. It's very clear from a brand and also the consumer perspective, it completely makes sense. What does it mean in terms of the volumes and the margin impact, and is that only the first party on offer for a few larger brands? Then just finally, on that same point, when we look at the brands, is it available for the whole inventory catalogue or is it just for a curated, edit perspective? Thank you.

Burkhart Grund: I think the first question on jewellery would be for Cyrille and Nicolas, so I would just like to hand that question over.

Cyrille Vigneron: Nicolas, you want to start? I can, so for the question by channel, the strongest channel throughout the period has been the e-comm, which has done about triple compared to what it was before, and then strong retail everywhere. The part which has been, of course, lagging behind has been travel retail, as many airports and travel retail destinations being closed, it's natural. Then on the other part of the specialist retail and wholesale, it has been also a bit behind. So, yes, the strongest network has been e-comm, second retail, third I would say franchise retail third, and fourth coming the specialist network. Nicolas?

Nicolas Bos: Yes, thank you, Cyrille. If I may add to that, in terms of mix within the collection, we've seen a performance pretty much across the board. What we've seen in jewellery during this year is some difficulties for high jewellery, due to the difficulty to organise events, international events for clients to travel, and also due to a certain lack of social opportunities for clients to wear new pieces of high jewellery, and growth being much higher and performance being much better with more day-wear jewellery. There were lines, as it was mentioned in the presentation, both for Cartier, Van Cleef & Arpels or Buccellati.

Jérôme Lambert: Then, Jérôme Lambert speaking, I will answer your question about the evolution of the operating model and business model at YOOX NET-A-PORTER. Indeed, what we describe here is the development of a more hybrid model within YOOX NET-A-PORTER. Here, we speak from our mixing 1P and 3P and adding to our excellent experience in curated model or the marketplace, the marketplace approach. As we know, working in 1P gives you a higher lifetime value from your clients, and that's what YOOX NET-A-PORTER has been building over the time, with excellent service and business with the so-called IPs of the brand. Said that, to further expand and recruit, the opportunity of 3P is bringing an even larger platform when it comes to product availability.

It's true for NET-A-PORTER, because there are connections. That has already started with the concessions model, shows a higher capability to answer to the needs of our clients, both in terms of vertical and horizontal. So, basically, we have a larger choice of assortment with the concession model, and we also have deeper or more available products for the bestsellers of it. Second and very interesting approach of the 3P model to the 1P model, actually when it comes to use, is linearisation within the year of the supply flows. Indeed, on top of curating and carefully choosing the products to be present on our website will bring an additional adaptation to last trends and last demand trends with immediate presence. YOOX, you saw the numbers. That's 14 000 brands already and we can foresee a good 20% of additional offer without impact on our capital thanks to the model.

Louise Singlehurst: Thank you, and the technology to deliver the first party, is that all itself constructed? Is that something that's all driven in the CAPEX programme so far? Thank you, that's my last question.

Jérôme Lambert: For the concession model, yes indeed. The concession model and the dropship are currently and purely forward and made available and possible with the recent work done on the re-platforming. The re-platforming is also allowing stronger localisation capabilities from a tech perspective, so that's within the same frame. For YOOX and for other countries like China, we are currently finalising the choice of technology that will come on top of the technical stacks that we have today, but within the frame of our CAPEX, as said and as fixed in the past.

Louise Singlehurst: That's very clear, thank you.

Sophie Cagnard: Thank you. The next question, please.

Operator: The next question comes from the line of Francesca Di Pasquantonio with Deutsche Bank. Please go ahead.

Sophie Cagnard: Good morning, Francesca.

Francesca Di Pasquantonio: Yes, good morning, Sophie. Good morning, everyone. Two questions also for me, please. The first is on watches. If I look at the performance of the category, as compared to the performance of the Specialist Watchmakers division, it seems watches as a category are outperforming. Is this mainly as a result of the channel, with Cartier more exposed to retailing online, or is there something else that we need to take into account in terms of product flow innovation or strategic decisions beyond wholesale? The second question is on a comment which was made by the Chairman this morning about the long-term strategy to build assets over time. I was wondering whether you could provide some colour around this statement and what areas of focus should we have in mind? Thank you.

Sophie Cagnard: Thank you, Francesca.

Jérôme Lambert: Maybe on the watches, thank you for your questions. It was, I would say, you have partly the answer to your question in the comments of our Chairman this morning, where he was highlighting some significant stock rebalancing happening for the Specialist Watchmakers in the Q4 of this year, and that's how you can understand the delta of performance between the two. Out of that, what we see, that's more a time difference between the flows, rather than any other material elements. I'll pass over to the Chairman for the second question. The Chairman?

Sophie Cagnard: Mr Rupert?

Johann Rupert: Yes, it's a very difficult question because we try to build brand equity over time in all of our Maisons. Some take longer. That's what I highlighted. Panerai was very quick. Van Cleef, we were more careful. It took us a while to really look at all the possibilities, to go through the archives, and so that took longer. It's a very good question, but one that I can't answer because we have to look at various categories. You can do very well in a category that is not growing very well and it will not affect your P&L. So, it's a question of capital allocation and human resource allocation, and I'm not going to speculate on the next one. I just tried to highlight the difference in approaches between different companies. Our goal has always been to build brand equity and to build value, instead of just buying it and paying goodwill, even though I guess the markets reward the second strategy a lot quicker.

Sophie Cagnard: Thank you. I think we can move to the next question.

Operator: The next question comes from the line of Ashley Wallace with Bank of America. Please go ahead.

Sophie Cagnard: Good morning, Ashley.

Ashley Wallace: Good morning, Sophie. I have two questions as well, first on jewellery and then on specialty watches. My question on jewellery is really just about, it's a big-picture question. Some investors we speak to believe that luxury was a Covid or lockdown beneficiary, and I think that this is especially true for a perception of the jewellery category strength. Today, you've obviously delivered a very solid quarter in jewellery with revenues up close to 30% on a two-year stack. How do you think about the impact of reopening on your jewellery business and the sustainability of the performance that you're delivering? I guess, do you see reopening as a net positive or a negative on impacting jewellery demand? Then my second question on specialty watches is just on a comment that's in the report, which says that sell-out was ahead of sell-in, but that in the first four months of the calendar year, that you're trading above 2019 levels when corrected for a significant stock rebalancing. Should we read that to mean that there was a big stocking event in April, or can you just explain exactly what that comment means, please?

Johann Rupert: I will answer the second question as you're on here. No, we've been reporting this as a metric for a while. We took a hit on our returns on net assets, etc, the metrics that we use in capital allocation, for four to five years already, as we cleaned up the watch market and we invested heavily in logistics, software, systems, etc., for online route to market. We look at our clients', our wholesale partners' stock and our own stock and after growing for years at 30-35%, that was obviously not going to last. So, we acted proactively, four or five years ago, already, by cleaning up the market. One thing that we wanted to make sure of is that we were not force-feeding the market. You see, in the end, your wholesale partners get stuck with stale stock, which they then immediately put into the grey market. They don't like it, we don't like it, your brand equity is affected, and so we made a deliberate decision to not pump watches into the market, but to maintain a positive sell-out to sell-in ratio.

That strategy, which we started a few years ago, obviously benefited us tremendously in this year, as we did not have wholesale partners stuck with enormous levels of stock. So, this has been going for two years. We've had this positively, the sell-out to sell-in ratio, for over two years. It's a deliberate strategy, so I don't think you should read too much into stocking and destocking. That's not the case and that didn't happen. It's a long-term strategy, but we all benefited from that strategy of having a very clean business during this most traumatic year. You've got to remember that a year ago, in May, we had a board meeting. We had to report that we lost in April, the month of April alone, over € 400 million in cash. Now, obviously, we started doing extrapolations. It was not very funny, so we did act immediately and it was in fact the biggest stress test that I think that Richemont has ever, well, it's definitely the biggest stress test we've ever gone through and I've been around since the '87 crash, when most of you weren't born. Obviously, the 2000 and then the mini crash, but with long-term effects, of 2008. This one came out of the blue and it stress-tested us, and I think you can really look at our watch business, our jewellery business, all of our businesses, we really started turning in about August, so by October, November, the numbers and the cash flows were looking better. Then by mid-February, it really started picking up and those trends are continuing.

Ashley Wallace: Okay, so the comment around the first four months of the year being above 2019 levels, I guess then is to do with what you're seeing in your own retail business, rather than anything to do with suggesting that April's much better than I guess the -16% that you reported in the first three months of the year in Specialist Watchmakers?

Johann Rupert: There have been trends, but we're loath to extrapolate them ad infinitum because the world is so free enterprise, still having to cope with the idea of not having a hurdle. We have enormous liquidity. You've got Bitcoin. There are bubble signs, if I can put it, and as such, with all things being equal, we are performing very well, even in comparison to our luxury goods rivals. I'm talking about the risk of extrapolating global economic growth and global trade, etc., etc. One should always just have, not an eye in the rear-view mirror, but a balance sheet that can withstand further shocks. We'll have shocks. I don't know where they'll come from, but we'll have further shocks. What is especially pleasing is everybody has spoken about China, but we're seeing real signs of growth in the United States of America. So, let me make a general statement here. Where the markets have opened, we've done very well. In countries where the countries have not opened, we have benefited from our online business. That's not to say that our online business is not doing very, very well in countries, in mainland China, for instance, or in China-related, if we can put it like that, and I don't expect our boutiques, but I think we could ask Cyrille and Nicolas to answer that because they have the daily figures, if they could say. I know that where the boutiques open, it's accretive, it will be accretive. Is that a fair statement, Cyrille and Nicolas?

Nicolas Bos: Yes. Indeed, if I may, of course, just confirm exactly that. We've seen very, very good resilience. What we've seen throughout the period is that the attractivity of jewellery remains very strong, and as you said, Mr Chairman, it's about route to market, so when the only route to market was e-commerce, we saw that route really grow. Every time a physical retail reopened, we saw customers and we see customers coming back and enjoying the physical experience.

Cyrille Vigneron: So for the first question, will the re-opening re-transfer the customer's appetite? It's not an equal pie. The pie cut is varying and can be very volatile, so that's the difficult part. In some way, the positive part when we see the post-crisis rebound, like it was in 2010-12, there can be some robust rebound, but there can be some shock in between. There is a long-term trend for branded jewellery, let's say the long-term perspective can be quite positive, and also an appetite for customers and many new ones, especially in China or, as mentioned, in the United States or even Middle East. The question is, say, how to see what can happen within a calendar year or a fiscal year. It is very difficult to predict, but the long-term perspectives, we think, are quite positive.

Ashley Wallace: Thank you very much.

Sophie Cagnard: Thank you, Ashley. We can move to the next question.

Operator: The next question comes from the line of Luca Solca with Bernstein. Please go ahead.

Sophie Cagnard: Good morning, Luca.

Burkhart Grund: Good morning, Luca.

Luca Solca: Good morning, Sophie. Good morning, Burkhart. Good morning, all. I have a question on clienteling and remote sales. What we saw during the most recent quarters is that there's been a bit of a bridge between digital and in-store sales, and some of your peers have been using clienteling and CRM as a way to try and offset store closures. I wonder if you feel that you're on par on this remote selling and clienteling activity, or if there's more that you are planning to do and preparing to do, that could boost your capabilities down the road? As a second question, I seem to understand that even in the third quarter, there was not much contribution from high jewellery. Do we understand correctly that high jewellery is still to come back and was not present in the fourth quarter as well, to any meaningful extent, and could possibly be rebounding once occasions of use and also events come back in the second half of the calendar year '21? Thank you very much.

Jérôme Lambert: Thank you, Jérôme Lambert speaking. I will answer to the first question. When it comes to distant sales or indeed during the first part of the pandemic, distant sales were the only way, and all the clientele tools that were developed around were the best, if not the only, solution to maintain contact with the end client. In the second part of the pandemic, or in countries like China where very rapidly after the Q1, most of our doors, if not all our doors, were reopened, we saw emerging a new way of buying and a new way of interacting. When it comes to China, that's obvious that live-streaming events took, I will say, a larger or stronger impact. Besides that, as well, all the work done within the Pavilion on Tmall has been given the opportunity to leverage much more data and marketing intelligence than in the past. So, in China, we already see the impact of this new performance marketing approach and how it leveraged a level of performance and how it gave us the opportunity to create a new way of aggregating clients.

When you come to the rest of the world, Richemont has been investing for quasi a decade in call centres and we have now more than 300 colleagues working in the different call centres around the world. And there, the interaction with our colleagues in the call centre, offering continuity in service even when boutiques are closed or out of the traditional boutique working time, as being a new source of client service and being part of the journey of our clients when it comes to discover the products, asking for more information, without always to come to the centres of the cities. There, the partly closing or the restrictions in travel have been a strong initiator to discover this new route. Yes, indeed, in the first part, it was the solution as no other solution. In the second part, we've seen new ways of interacting, new hybrid ways of interaction that will leverage. Cyrille and Nicolas, for high jewellery?

Cyrille Vigneron: Yes, so for … The first half of last year had been really, really slow because most of the events were cancelled, and for the second half we started to have some events, especially in Asia, so we had in Taiwan, in Shanghai, in Tokyo and Seoul, and we could see that the appetite of customers there was quite good. But of course, with no travelling from any other regions, it remained globally under, but the Q4 in high jewellery was quite promising to what can come at some point. This said, we're still in a lockdown in many countries in Europe. There is still not, even if there is some vaccination authorisation and so forth, not there. So, high jewellery will come back. Again, the question how fast this can reshape…the customer's appetite is there. Nicolas, do you agree?

Nicolas Bos: Yes, I fully concur, Cyrille, and I would say also that we kind of reshifted the way we present high jewellery, from major international events that we like to organise, that were completely impossible, to probably more smaller-sized, more intimate local or sometimes regional events. It's also more diversity in the ways we interact with high jewellery clients and the presentations, and we see already the results of that, and we will probably see that improving again during the coming year.

Luca Solca: Thank you very much indeed.

Sophie Cagnard: Thank you, Luca. Next question, please.

Operator: The next question comes from the line of Zuzanna Pusz with UBS. Please go ahead.

Sophie Cagnard: Good morning, Zuzanna.

Zuzanna Pusz: Good morning. Morning, everyone. I have two questions, please. My first question is, I'll say, broadly on jewellery but also pricing, specifically. It's pretty clear that you are outperforming your peers and the growth is very strong. I think, as you mentioned, you think that it's just an underlying strength of the brand, but I also have this feeling that, obviously, over the last couple of years you were a bit more cautious with pricing, especially versus other product categories like soft luxury. We probably ended up in a situation where jewellery does look like relatively good value versus perhaps even some of the handbag prices. I'd be just curious to hear, what are your plans when it comes to pricing? If you think maybe if this strong growth continues, if you could maybe have some room to increase prices? Obviously, I remember you've been historically rebalancing prices across regions, but I'm here talking about net price increases at the global level.

My second question is maybe just broadly on regional performance. You've seen a very nice acceleration when we look on a two-year stat in the US. Middle East saw a bit of a deceleration, so could you maybe share a little bit of colour behind that? Specifically when it comes to the US, because Mr Rupert mentioned that he thinks that there is maybe some sort of, you know, long-term concerns regarding a bubble or something like that in the market, but at the same time, he said that the US was very healthy. I'm just curious if you actually believe that the momentum in the US we are seeing is an actual underlying momentum of the US consumer, and if so, what is driving that, given that it feels like the US, and especially for you now in Q4, is growing ahead of its long-term growth line? Thank you.

Cyrille Vigneron: I can pick up for the first question for a few things. We don't comment for the other part of luxury, but it’s true the strategy that worked this time, so we have to leverage overall price worldwide because customers are travelling and if you have some parts, some areas, where it's structurally overpriced, of course except for the part of VAT and sales tax that we don't control, but then it makes some perception from customers that the price at home is too high. We've seen that the strengths of our sales and robustness have rebounded domestically also because customers knew that it was not overpriced, whether in China, in Russia, in Middle East. So, on some part where we didn't try to make highest yield in a period where everything was doing fine, it has been paying off there. Then, this said, we have increases in Swiss franc, increase in gold price that at some point we have to reflect, it's just part of the normal management of our pricing. I think there is something that can come because the gold price is very high and because of the cost of goods coming into Switzerland. The fact you have equal pricing policy worldwide has shown it's more resilient in the long run. Nicolas or Jérôme, do you want to comment as well?

Jérôme Lambert: Nicolas, after you.

Nicolas Bos: Yes, I really agree with that. I think that over the past few years, and before that crisis, we've really gone to an international policy of what we call fair pricing, as Cyrille was describing, and to have more homogeneity and alignment between the different prices in the different regions. It's clearly a factor also that helped us somehow redirect sales from tourists to our more local clients, because they know that they will pay pretty much the same price, excluding taxes, and a fair price. I think that we have not been opportunistic when it comes to price increases. As Cyrille was saying, of course we have sometimes to adjust to exchange rates and to the price of materials, but that's also, I think, part of the feeling that goes with jewellery, that there is more long-term view, more permanence when you buy jewellery than sometimes other categories. I think that's where, once again, an homogeneous pricing and also a non-opportunistic approach to a price increase is well understood and appreciated by our clients.

Johann Rupert: Sorry, it's Johann here. There is also embedded in fair pricing, I'm always pleased when I look at Christie's and Sotheby's and even Phillips and even Watches Antiquorum, when I see that the Maisons represented there are inevitably Cartier and Van Cleef, and also in the watches, that Cartier and Lange, etc., fetch prices that make them value in the long term… We joked earlier on with the press that there was a Cartier London watch that was sold at Phillips… It's a baseball or pebble model and I thought I was going to go big. I bet at the highest end of the estimate, only to lose because somebody else paid five times more. So if you are in the jewellery and especially high jewellery business, you want your clients to have residual and investment value. So if you have a look at the sales at Christie's and Sotheby's, our products do well, so there's a fair price as well.

Burkhart Grund: Okay, and probably, Burkhart here, just want to address the question about the regional sales split. I think what was said by the Chairman before is very important to understand. Where markets reopen, we're doing very well, and this has been proven throughout the year. This is not just a, I'd say storyline where we have had a very strong business in China, due to, let's say, the effects we know, the demand is no longer outbound given the current circumstances. So, we've had very strong growth in China, but it's important to understand that the other major markets, like the Americas or the US particularly, have started to stabilise and some have started to grow again, and have sequentially accelerated as the sanitary conditions have improved. Middle East, same thing, started to stabilise and grow again in summer, now, there are no signs of deceleration that we have seen. We've spoken about some, let's say, more technical effects that have weighed on the fourth quarter, such as boutique internalisations where, actually, you take back the inventory from dealers and actually then shift it into your internal, directly operated stores. Some rebalancing of inventory between regions, so that's more a technical effect. The underlying growth trends or dynamic has been, as in the US, quite strong. It really depends on sanitary situation, reopening of markets and, in a way, also the customer mindset that is associated with that. I think in Europe we've had the same evolution over the year. Fourth quarter, definitely better than the three quarters before. However, as we've seen, we've seen another wave of closings in Europe in our last quarter, which are now starting to lift, but we now see Japan again closing down and buckling down. So, there’s really still a bit of volatility out there, but that doesn't change, I'd say, the underlying trends that we've seen through the year. Once it's open, we are doing quite well.

Zuzanna Pusz: Thank you so much, that's very helpful. Can I just very quickly follow up on your comments on the regional sales? Because obviously the group is very diversified. You have many product categories. Can you maybe just give us an idea, especially that the US is a region where things have reopened, so, and probably, hopefully, won't be closing, so you have probably the best picture. What have been the strongest-performing and the weakest-performing categories in the US? Would jewellery be leading the way, or watches? What was it?

Burkhart Grund: I wouldn't generalise these trends. It's, and my colleague Cyrille said it in the earlier call today, this is not necessarily about categories or product categories, this is one luxury customer and with changing dynamics, with changing purchasing habits, and then to that you can add the appeal of the Maison, its product offering, its positioning... So, I wouldn't necessarily project a trend by product category. It's one customer.

Jérôme Lambert: And then, just to add to what you said Burkhart, what we see is more a time pattern and following in somehow a different client journey when it comes to the different categories… and what we have seen along the different continents was… a kind of same pattern, when it starts with jewellery, then it goes to Specialist Watchmakers, then it goes to most of the accessories in soft luxury, and Online Distributors being more on-off, when the distribution centres and when the operations are back to normal there, we enjoy growth and rebuilding and recovery.

Sophie Cagnard: Okay, thank you. We can now move to the next question.

Operator: The next question comes from the line of Anne-Laure Bismuth, with HSBC. Please go ahead.

Sophie Cagnard: Good morning, Anne-Laure.

Anne-Laure Bismuth: Yes, hi everyone. Hi, Sophie. I have two questions. My first question is on the Jewellery Maisons. After such a strong operating performance this year, how long is it going to take to reach peak margins in Jewellery Maisons, going forward? My second question is about the

TimeVallée concept. What is your development plan, going forward, for this concept? Thank you very much.

Burkhart Grund: Probably, let me introduce the topic on Jewellery Maisons before, I think, Cyrille and Nicolas can add to it. What you call peak margins, I believe you refer to margins six to eight years back. The situation is not comparable and, as you know, we will not give guidance, for the simple reason that we have no clear view on where we are going to be in the next five years, let alone the next six months. Volatility is there and if anybody knows how to reliably project out over the next three to five years, I'd be very interested to have that, because I probably would not have to work any longer because I would just invest on that basis. Sorry for the pun.

Johann Rupert: You and me, Burkhart.

Burkhart Grund: Yes?

Sophie Cagnard: Mr Rupert, we don't hear you.

Johann Rupert: I said both Burkhart and me would probably be sitting in the Seychelles by then.

Burkhart Grund: Yea absolutely, and not just for a week or so.

Cyrille Vigneron: Yes, to add on that, if we can know what will be the gold price, what will be the dollar price, what will be the renminbi price versus Swiss franc, then we will probably have a clue, and if we can project that in two years from now, it would help. We don't know all of this. Many factors are playing in, and so we don't know when it can be a big margin or not. I think we have a good margin now already, considering that we have the gold price very high, Swiss franc very high and some things had been adverse in terms of the dollar and things. So, considering that, I think it's quite positive.

Jérôme Lambert: And when it comes to TimeVallée, a few words, just to again do a little bit of date on the concept. First, the concept, if you remember, was launched seven years… more than five years ago, I think close to seven years ago, because we had a so-called hole in our distribution in China. Not only in tier one but already at that time in tier two cities… so the concept was launched on how to bring quality, how to bring product training for our end client in tier two cities in China. What we have seen now is with the stronger performance, even stronger performance in China itself with a lot of Chinese residents buying in China, it's not only tier one, tier two, but it's also tier three, tier four and even tier five cities. The challenge that we had five years ago has, let’s say has come back, but now to tier four and tier five cities. The concept has evolved quite nicely in between and we see now again a second wave of success for itself. Very clear, it is always done with a partner, so always our distribution and I would say our traditional retailers, when they want to open in a city or they are already existing in a city, are owning the shop, or the staff that are working there are their staff. It's not only a Richemont concept because that's not only our Maisons that are sold there, but you see as well some other Maisons present there in terms of distribution. What we have seen as well now as an additional factor, it is also a strong factor of modernisation of the wholesale distribution, because it gives the opportunity to develop luxury new retail with them as well, in the spirit of partnership. So, we see it as a further factor of acceleration of the partnership, with our traditional partner and a good way to embark our partner in that better service, for the clients, for the future.

Sophie Cagnard: Thank you. We can move to the next question.

Operator: The next question comes from the line of Antoine Belge with Exane BNP Paribas. Please go ahead.

Sophie Cagnard: Good morning, Antoine.

Antoine Belge: Good morning, it's Antoine at Exane BNP Paribas. Two questions. First of all, to come back on this question about margins maybe. I understand about the moving parts, but there is one moving part which shows significant decline last year that was communication. Is it possible maybe to have an idea of the speed at which that communication spend could come back, especially in light of one competitor being acquired by a larger one? And the second question relates to the partnership you announced last year with Farfetch and Alibaba. Is it possible to have a few comments about that, the testing and maybe what you expect in terms of that partnership? Thank you.

Johann Rupert: I can try that, Antoine, if you are near. We will obviously, and I wouldn't say it's obvious, it's a good question, but we will go back to supporting our Maisons in terms of communication. But you know, a lot of communication also goes into high jewellery expenditure on private events. It's not the traditional communication that we used to have 10, 15 years ago. So, a lot of it was forced upon us. We just simply could not hold events, but you can expect it to return back to a more stable percentage, long-term percentage, but it will be different. It will not be like it was five or 10 years ago. I suspect it will be a lot more digital and it will be a lot more focused on individual consumers, as we learn more and more and more through our data management. You know, to give you an idea, before when we sold, let's take a hypothetical figure 800 000 watches, we only got data on 15% of those clients. We then introduced an eight-year warranty because we feel comfortable with it, but they had to register. Suddenly, our data capturing goes up multifold. So now we can communicate directly. It's just one tiny example of a redirection of communication spend.

In terms of our joint venture and cooperation with Ali and with Farfetch, it's going according to plan and we are working towards getting that hybrid model. As we said in the beginning, as José said to me right in the beginning, 'You've got to understand, we're two different blood types.' They're a platform business, they’re 3P, we're 1P, so we're working towards a hybrid model and deciding on platforms, but they are leaders in the platform business. Basically, they're a tech company and we're a luxury goods company in terms of our approach to online business. But our clients want duration, but they want ATAWAD. You don't want to go on a website and the stock's not available, so the blend is the best model. It's going according to plan. We've already had the first benefits of our relationship with Ali in China and you will see Hainan. I'm confident that the investment was worth it and it will become more apparent to everyone over the next two to three years. Antoine, you remember we always discussed the problem of turning fixed costs into variable costs. Now, if you look at our total leased costs, it's still, I mean correct me Burkhart, between € 900 million and € 1 billion.

Burkhart Grund: Yes, per year yes.

Johann Rupert: That's per year, yes. Per year, and a large portion of that, of course, is boutiques. Now, how do you create an asset turnover jump? You've got to make, you’ve got to keep your fixed costs down whilst increasing your turnover. Now, especially in things like the fashion and accessories business, where we, for instance Montblanc got hammered this year with travel retail because they were exposed there. If, not if but when, we are fully omnichannel and ATAWAD, any device, we should be able, no, not should, we will be able to increase our asset turnover and we will turn fixed costs into variable costs, and that is the goal. There are many components underlying into that mix, but the real goal is to keep fixed costs steady and to lower it whilst increasing turnover. That is where, if you're not a leader in online, you're not going to be able to do that.

Antoine Belge: Thank you very much. Maybe just a quick follow-up. I mean I think Burkhart mentioned, you know, a stricter cost control at YNAP, and so a new management team. Without asking for a guidance, I mean can we expect that, we already saw that in H2, that the losses should go down in the fiscal year of 2022?

Johann Rupert: You know, I think we've got to have a shift in mindset a little bit, Antoine. If I go and buy a company for € 10 billion and € 8 billion of it is goodwill, then you amortise it and none of you folks, our shareholders, the press, nobody asks the questions. When you build the goodwill and you take it to your P&L, we get continuous questions. Now I know we’re wasting, it's like advertising, if you spend € 100 million, 50% of it is wasted… we just don't know. We know a lot more now and better, which 50% of it is wasted, but when you are developing your systems, your logistics and you're on a big learning curve, we made mistakes. Obviously, we've made mistakes, but if you look at it in terms of the quantum of our free cash flow and if you look at it in terms of what we're really investing, you know, we had to go through that experience. Will it continue to be as burdensome? No, that's why we're going to a hybrid model.

Antoine Belge: Thank you very much.

Johann Rupert: But Antoine, if we hadn't done that, we wouldn't have been able to do the deal with Ali, and if we hadn't done the deal with Ali, José would never have approached us.

Antoine Belge: Okay, understood. Thank you.

Sophie Cagnard: Thank you. Next question, please.

Operator: The next question comes from the line of Jon Cox with Kepler Cheuvreux. Please go ahead.

Sophie Cagnard: Good morning, Jon.

Burkhart Grund: Morning, Jon.

Jon Cox: Yes, good morning, Sophie. Good morning, guys. Congrats today on the figures. Just a question on the costs side of the equation. Obviously, I think you guys have shown you can do a fantastic job when things aren't going so well. We saw it 10 years ago with the financial crisis, etc., etc., and further back, but now, obviously, things are going back to normal. Just in terms of, do you think you've found a new way to do business during this whole crisis in terms of cost, or should we just naturally expect an inflation in cost because you've been really squeezing the business over the last 12 months or so and, actually, we're going to get quite a big part of inflation in costs? My colleague was talking about communication, but I'm really talking about across the board, end of furloughs, everything, etc., etc., or as I said, has there been a fundamental change as part of your omnichannel, where you don't see that sort of a return to really inflationary costs during the recovery phase? Then same sort of question on the cash-flow side. Fantastic cash flow again. Maybe you can just tell us what your thoughts are on CAPEX for this year, but also on working capital, because I'd imagine there'll be a negative, probably € 0.5 billion, maybe even € 1 billion in working capital this year just as things recover and normalise again. Just your thoughts on the cash-flow side of the equation as well? Thank you.

Burkhart Grund: Well, Jon, just to give you a bit of background, the way this year has unfolded, on the sales side, I think I'm not spilling the family secrets here that the first half year has been challenging, extremely challenging top line down and, actually, we've had quite a significant, and you remember the half-year results in November, quite a significant and sharp drop in our respective cost lines, I would say across all major cost lines. I would even say with a strong focus on A&P or our communication expenses, a big part because physical events were not possible, the travel retail channel I would say was non-existent, and many other businesses and, I would say, communication opportunities, severely disrupted. Then, as we've outlined, in a way we've seen a year of two halves. We've seen a sequential recovery accelerating out of the year of our top line, of our sales pace, and actually, behind that, we have done the same on the cost side and also on the cash-flow side. In line with an accelerating business, we have reinvested in the business where we believed it was the right area to invest in.

Actually, over the second half, many of these different spend lines have already started to normalise. I think, in the end, we've come out with a pretty decent performance on the second half, on all lines. What we have been talking about for some years now, and the Chairman touched on it again, is how do you actually transform fixed costs into more variable costs, which go up and go down the way your business goes? I think this has seen an acceleration, with the acceleration of digital, not only sales share, but also of the digital spend attached to that. I think, over the years to come, this should continue on these trends, in line with an increasing online share of our sales. Obviously, we will not guide into the future, but I just wanted to give you a bit of context of how to think about that, and this applies to the cost lines and the cash-flow lines.

Sophie Cagnard: CAPEX?

Jon Cox: Any thoughts on working capital or CAPEX at all for the year?

Burkhart Grund: CAPEX, you know, if you look back over, let's say, even the last 10 years, we've always been between 5% to 7%. Over recent years, we've been more around the 5% mark. This year, for obvious reasons, we dropped below even 4%, at 3.9%. I would expect that to normalise, but still be on the lower range of the 5-7% range. Once again, we will always invest in the ventures that we believe will bring us towards our strategic objectives.

Sophie Cagnard: Thank you. Next question, please.

Operator: The next question comes from the line of Edouard Aubin with Morgan Stanley. Please go ahead.

Sophie Cagnard: Good morning, Edouard.

Edouard Aubin: Yes, good morning, Sophie. Good morning, everyone. Just two questions from me. The first one for Cyrille. So, Cartier has clearly outperformed since you came back, and that continued in the fourth quarter. In recent months, if you could help us understand what is continuing to drive the outperformance between product and communication and distribution? I'm sure it's a lot of all of that, but if you could help us rank in terms of order of importance, that would be very nice. Then the second question is on the Others division. So, the quantum of operating loss was quite a bit higher than expected. Was it relatively broad-based or was it mostly explained by Montblanc, high exposure to travel, as hinted by Mr Rupert? If so, should we expect a relatively significant narrowing of losses this year? Thank you.

Jérôme Lambert: Cyrille, you want to start?

Cyrille Vigneron: Yes, for the first question, what we have seen, it's not very different from what Van Cleef have seen as well, so on that, we're not the only ones. The element we can say that size matters, and when we have a bigger size, and also being a geographical presence which is well established with strong retail also having gone with also development on the e-comm side and we were proactive in China, in the US as well, then it adds. There had been clearly on the market a premium to the biggest and the well known and stronger brand equity. So, that can explain. On the rest side, category was slightly better for jewellery, watches coming behind, and so there, being a leader in the market, helps. These I think are the key factors in what we said before, the size that we had gone to, very strong flexibility in our supply chain, which can also help to answer the element on the working capital. The more we go with velocity, the less we have in the pipe and then we can go directly for manufacturing to sale, without having to pile up a lot of things in between. The more we come to e-comm, the better, so it's a continuous improvement in that, and all the elements work together.

We can also, from an omnichannel, where we can use any point of sales to be the resource for the other, also helps reducing the value of the inventory in the middle. On that, I think we have really worked together, with all our Richemont colleagues, to do that and we have seen that we could rebound fast and we can also shorten and shut down very quickly and adjust the inventory needed in the middle. So, I think those, plus strong brand equity, equal pricing, meaning that the customers repatriated basically everywhere, by clientele, we were on positive from September, basically everywhere in all countries. Not by regions, because some regions are very dependent on incoming tourists, but by clientele, we have seen the growth coming back quickly. So, that's size, diversity, treating all clients well, being close to them, even when there was the close downs, lockdowns, the remote sales worked very well because the staff were in contact and had bonding with their customers. There were some regions we didn't have e-comm, like the Middle East at some point, when we did distant sales, and then we implemented very rapidly the e-comm. That worked super well as well. So, again, agility in adjusting to context. Does that answer your question?

Edouard Aubin: Yes, perfect. I could listen to you talking about the strategy and so on for a long time but that, in a nutshell, that answers the question, yes.

Jérôme Lambert: I will pick up the second part on the fashion accessory category. Indeed, what we see here is the factor that Montblanc was a strong contributor to the result of that category, and as for Montblanc, as we did with the others, we decided last year to close manufacture to preserve the brand equity of our Maisons and manage the quantity of goods in the market. We have had to absorb last year a large part of non-fixed, those absorptions, so called OMM, in the nice languages of Burkhart when it comes to that. Indeed, what you see, the non-plus, I would say is turning afterwards in a large minus for the category and is due mainly to that stopping manufacture during a while. They are back now to work.

Edouard Aubin: Okay, understood. Thanks.

Sophie Cagnard: Thank you. We can move to the next question.

Operator: The next question comes from the line of Thomas Chauvet with Citi. Please go ahead.

Sophie Cagnard: Good morning, Thomas.

Thomas Chauvet: Good morning, Sophie. Good morning, everyone.

Burkhart Grund: Morning, Thomas.

Thomas Chauvet: Good morning, Burkhart. I have one question on Spec Watchmakers and just two points of clarification, please. On Spec Watchmakers, a couple of years ago, Burkhart, you have guided for a target of 20% EBIT margin, medium term. You've reached 11% in H2 despite a weaker-than-expected Q4. What is the EBIT margin bridge to 20% from here? Is it mainly a function of the sales base? Do you need to add what's been lost in the last six, seven years? I think you're € 1 billion below previous peaks in Spec Watches. On that distribution of Spec Watches, can you explain the 10% increase in the footprint of the franchise stores year on year? Is it a wedge of set closures of those over the last three years you've done it in traditional multi-brand wholesale? The two points of follow-up, one is for Cyrille and Nicolas, perhaps. When you talk about high jewellery sales being promising, was there growth year on year in high jewellery in the fourth quarter compared to what I think is the 30% revenue decline in Q2 and Q3 you had indicated previously? Second follow-up for Mr Rupert and his media interview this morning, when you said Kering approached you a year ago, not for an acquisition of your stake, but for collaboration, what type of collaboration could you envisage beyond the existing relationship in eyewear? Is it potentially buying Ulysse Nardin and Girard-Perregaux? Working more closely together on Farfetch or on second-hand online platform? Is it ESG sustainability, best practices discussion? I'd like to hear about this. Thank you.

Burkhart Grund: Burkhart here. Let me start with the first question, if I may. First of all, we don't guide, so I didn't give guidance. I think my exact quote was, 'Any self-respecting, decently sized watch Maison, I would expect to target that area, or that range.'

Sophie Cagnard: Actually, Burkhart, the question was, would it be possible to reach 20% again? It's very different from that.

Burkhart Grund: Yes, the peak margins, right? So, 20% or even higher in terms of peak margins. So, I left it much more open because if you look at our different Maisons, who have all very different characteristics based on their heritage, their positioning, their geographical spread, I would expect, and this is very much the pattern that we see, that the Maisons that emerged first out of Covid, a crisis or disruption accelerate not only their revenue lines but, obviously, the profitability lines. That being said, this is still standing as a comment, but let's be very clear here. All Maisons have a different path of how to achieve their strategic objectives and this is not a one-size-fits-all approach, and I think it's very important to understand.

You were talking in the second part of the question about the expansion of the franchise stores for the Specialist Watchmakers over the recent years. I think there are two elements in there. One is, over the years, multi-brand points of sales have been successfully transformed into more franchise store offerings for our Maisons, meaning a branded environment in a multi-brand point of sale, and that is part of basically expanding a reclassification of some of these points of sales or customer relationships we have there. Secondly, operating and opening in promising markets with strong local partners, and, remember, we very much value the partnership, has been quite a successful route for Specialist Watchmakers in recent years to expand their presence without carrying the heavy cost base. I think local heroes working with our Maisons in promising markets is a very good approach that the Maisons have chosen.

Sophie Cagnard: I think the next question is relating to-,

Burkhart Grund: Jewellery?

Sophie Cagnard: Yes, in Q4, whether it's positive or negative?

Burkhart Grund: I'll leave that to my colleagues.

Cyrille Vigneron: Nicolas, you start.

Nicolas Bos: Yes, thank you, regarding high jewellery, basically with high jewellery, as you know, it's quite difficult to measure performance on the short term, so a quarterly basis is really too short a frame to measure. What we've definitely seen is activities restarting and resuming, better and more frequent contact with clients, high level of interest in many countries, so that should lead to promising transactions in the coming months.

Cyrille Vigneron: In our side, we had a Q4 to Q4 mildly positive, but I would say, yes, same as Nicolas, we cannot measure just on three months.

Sophie Cagnard: Then there was the final question maybe for our Chairman about Kering?

Johann Rupert: I've tried to answer that a few times, in that we are willing to work with our competitors where it makes sense. Obviously, in terms of ESG, it is, as I said earlier on, human beings should start acting responsibly. So, it's not only an industry-wide initiative. It should be a responsible, caring, spelt C-A-R-I-N-G, attitude. In terms of e-commerce, in 2015, I pleaded with all of our competitors to join us so that we could have a common platform. We had just taken control of, we'd been investing in NAP for a long time. I invited everybody to join us. That stage, our competitors all thought they could do it by themselves and I feared that this was a classical case of the prisoner's dilemma. Well, it turned out to be that way, so we carried on and we kept on, and then in the end, we were approached by Ali and we met and we concluded a partnership in China, and then a partnership with José then came and we realised the need for a hybrid platform.

Now, that platform is open to everybody and you will remember that Kering also invested, but it's open to everyone to join. Some people have chosen to join, some people have not chosen to join, and we'll continue to do collaboration with what you deem to be competitors if it lowers their variable costs, because these will be variable, and ours. So, we're prepared to talk to everybody, and that Kering news is, I don't know where it originated that it ended in the blog, but it was so old and stale and second-hand and then it got picked up by serious people like Bloomberg. It's just unnecessary because it's an inconvenience to François, he and to me, and we made it quite clear we're going to remain autonomous, they will, and we'll be friendly competitors. We already collaborate in eyewear, but we do it with others as well.

Sophie Cagnard: Thank you, Mr Rupert. We'll take the last question because, actually, it's already 11:36.

Operator: The last question comes from the line of Rey Wium with SBG Securities. Please go ahead.

Sophie Cagnard: Hello, Rey.

Rey Wium: Hi, good morning. Well, it's actually good evening on this side. Thanks for just squeezing me in here for the last question. I was just curious. Basically, I also have two questions, one dealing with the Online Distributors. I've noticed maybe just in terms of the gross margins of the Online Distributors, I see this time around you have not disclosed that. It was 33.2%. Maybe just an idea where it was this year versus last year? Then the other question just revolves around the tax rate. I appreciated that you say it's down to the Swiss tax rate, around about 14%, but is that for the first half where the tax rate, what was it, 55%?

Burkhart Grund: 55%.

Rey Wium: Yes, and now in the second half it works out 3% or 4%. Maybe if you can just clarify the air a bit and just help us to think where we should throw the dart at for this coming year's tax rate. I know in the past you've said 20-22% is the tax rate, so maybe just help us on that one? Thank you.

Burkhart Grund: Yes, let me probably start with the tax rate. The midterm guidance we've given is never a hard target. It's a range and we've been guiding for some years now 19-21% tax rate. Actually, the underlying rate today behind the 15.1% that we've shown here is around 20%, 20.2% to be exact. Prior to, I'd say, one-off effects which this year have brought the rate down to 15%, which last year actually had brought the rate up to 22.6%, so above that range. You shouldn't read it as H1, H2. That would be a bit too simplistic. It is based on a given geographical sales mix which actually drives then behind it an estimation of the full-year rate. Then when your business accelerates, accelerates across other geographies, actually, the geographical mix of your profits and your high-tax and your low-tax markets can change quite significantly. It's not that we do an H1 and then an H2 rate, we always try to project out, given a mix, what the effective tax rate will be for the full year. In this case, 19-21% range is the range in which we are, bar one-off effects which can go in both directions.

Jérôme Lambert: If I pick up the financial performance of YNAP, because if we speak from our Online Distributors, it's mainly YNAP. Two things to say. First, yes, indeed there is a gross margin recovered during the last fiscal year, so we saw a nice increase. You can read it in the EBITDA, our improvement, which says the loss of the EBITDA is at half during this year, and it was also mentioned that the biggest part of that loss of the EBITDA is linked to one-off effect of the Brexit effect with impact on the stock, the value of tax on the stocks that we have to consider. It was a big work done by the team, led last year still by Federico, and then they did it in a context of a warehouse closure, that, as we all know, is not the best to maintain margin and to keep costs under control, so it is really their work and strong contribution from Federico and his team during last year. Thank you.

Sophie Cagnard: Thank you, Jérôme.

Rey Wium: Okay, excellent, so just what you're saying is the margin improved versus the prior year, despite the first half that was so much lower?

Jérôme Lambert: Exactly, yes. Definitely.

Rey Wium: Okay, thank you.

Sophie Cagnard: Thank you, Rey. Thank you, all. The presentation is now over and thank you very much for your participation. If you have any additional questions, please call James and me. Speak soon and we wish you a good day. Bye bye.

Burkhart Grund: Thank you very much. Have a good day.