RICHEMONT

FY22 Annual Results
20 May 2022 / 9:30am CEST

Contents

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

INTRODUCTION: Sophie Cagnard

Good morning. Welcome to Richemont's 2022 full year results presentation. It is nice to see you again in person and we thank you for coming to Geneva. Welcome also to those of you watching the webcast. Joining us today from Richemont are Johann Rupert, Chairman, Jérôme Lambert, CEO, Burkhart Grund, CFO, Cyrille Vigneron, Cartier CEO and Nicolas Bos, Van Cleef & Arpels CEO.

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 video 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.

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

HIGHLIGHTS: Jérôme Lambert

Thank you, Sophie. Good morning ladies and gentlemen. Thank you for joining us today and welcome back to our offices in Bellevue.

Sales for the year reached a new level at 19 billion 181 million euros. This represents a 44% increase versus the prior year and 37% versus 2 years ago at constant exchange rates. At actual exchange rates, sales grew by 46% and 35%, respectively, versus one and two years ago.

Operating profit more than doubled to 3.4 billion euros, growing much faster than sales, reflecting significant operating leverage. The operating margin reached 17.7%, a 650 basis point improvement over the prior year. Excluding a one-time item relating to the suspension of our operations in Russia, operating margin would have reached 18.6% of sales.

Profit for the year increased by 61% to 2 billion 79 million euros. Cash flow from operating activities rose by 1.4 billion euros to 4.6 billion euros and our net cash position increased by 1.9 billion euros to 5.3 billion euros.

Our strong financial results reflect a significant increase in sales and profits and provide more resources to invest in the brand equity of our Maisons, for a sustained and responsible growth. The double-digit sales growth was broad-based across business areas, demonstrating the strong desirability of our creations based on highly distinctive designs and savoir-faire. Higher gross margins and good cost control led to much improved operating results both at Group level and across business areas, with a particularly high profitability level at the Jewellery Maisons and noteworthy margin improvement at the Specialist Watchmakers. This translated into a strong cash flow generation as just mentioned.

We are pleased that our long-term focus on client centricity has led to an increased level of direct-to-client sales, comprising online and offline retail, of 76%.

We continue to progress on our sustainability journey and have increased our ESG commitments. Our Science-Based Targets were validated by the SBTi during the year, and our Sustainability team was strengthened with the recent appointment of a Chief Sustainability Officer. The Board's ESG expertise was also increased with the election of an ESG specialist as Non-Executive Director now chairing our Governance and Sustainability Committee. Burkhart will tell you more at the end of the presentation.

I will briefly take you through the sales performance by business area, at actual exchange rates over the one- and two-year comparison periods. We achieved strong double-digit growth in all business areas, both on a one- and two-year comparative basis. On a two-year comparative basis, growth rates in all business areas accelerated in the second half compared to the first half of the year. Of particular note is the outstanding growth of the Jewellery Maisons throughout the year.

Looking in more detail at the quarterly sales performance by business area on a two-year comparison basis, at actual exchange rates, one sees that the growth rate at most business areas accelerated over each quarter during the year. Remember of course that the fourth quarter across all business areas benefited from less challenging comparatives as the quarter ended March 2020 marked the early stages of the pandemic. Growth at the Jewellery Maisons was particularly strong and reached triple-digit growth in the fourth quarter.

OPERATIONS: Jérôme Lambert & Burkhart Grund

Jérôme Lambert: Let me now walk you through the Group sales performance: first by region, then by distribution channel. Sales in all regions posted double-digit growth compared with the prior year, with the strongest growth rates in the Americas, Middle East and Africa and Europe. Europe and the Middle East have both seen strong demand from local clientele. While inbound tourism remained subdued in Europe, the Middle East benefited from the reopening of Dubai to international travel in July and from the Expo 2020 Dubai between October and March.
Asia Pacific, the Americas and Europe contributed the most to the sales increase, each growing by more than 1.5 billion euros. With its sharp growth rate, the share of Group sales in the Americas is nearing that of Europe. Also, worth noting is that the Middle East and Africa has now surpassed Japan in terms of sales.

Sales in all regions were above pre-pandemic levels, with very strong double-digit growth in the Americas, Asia Pacific and Middle East and Africa. In Asia Pacific, sales in major markets such as China and South Korea grew by double digits compared to both prior year and on a two-year comparative basis. There was sequential quarterly acceleration on a two-year comparative basis in almost all regions – with particularly good progression in Europe and Japan. In the fourth quarter, Asia Pacific sales were impacted by pandemic-related lockdown in parts of China while the conflict in Ukraine affected sales in Europe towards the end of the quarter. Richemont suspended commercial activities in Russia on 3 March after stopping Ukraine operations on 24 February.

Let us now turn to sales by distribution channel, starting with our largest channel by far – retail - which contributed 57% of Group sales, up from 55% a year ago. Sales rose by 51% versus the prior year and by 53% on a two-year comparative basis, an increase which was broad-based across all business areas. Retail sales benefited from 25 store openings net - in addition to the acquired 48 Delvaux stores - as well as from traffic in the stores resuming as business reopened post lockdowns.

Online retail generated 19% of Group sales compared with 21% in the prior year, following the easing of pandemic-related store closures. Sales increased by 27% year-on-year and by 38% versus two years ago. Excluding Online Distributors, online retail sales rose by 42% compared to the prior year driven by the continued localisations of websites and further developments of distant sales. While all business areas achieved strong growth, this was particularly notable at the Specialist Watchmakers, albeit from a lower base.

Direct-to-client sales, including both retail and online retail, represented 76% of Group sales. Finally, wholesale sales. They increased by 45% compared with the prior year with strength across all business areas. Compared to two years ago, they rose by 8%, notwithstanding a 22 net franchise stores closures, primarily at Buccellati and dunhill. Both the Jewellery Maisons and Specialist Watchmakers exceeded pre-Covid levels, with a double-digit increase at the Jewellery Maisons. Wholesale sales made up 24% of Group sales, in line with the prior year.

The robust growth in online retail at our Maisons led to a 6% online penetration rate when excluding Online distributors. This is a noteworthy performance during a period that delivered such a strong sales growth combined with the re-opening of retail stores and a measured increase in international travel. During the year, the Fashion and Accessories Maisons had the highest online penetration rate at 16%, followed by the Jewellery Maisons at 5% and Specialist Watchmakers at 3%.

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

Burkhart Grund: Thank you Jérôme. Let me review our business areas – with all numbers at actual rates – and starting with the Jewellery Maisons, which comprise Buccellati, Cartier and Van Cleef & Arpels. Sales were up by 49% versus last year and by 54% versus 2 years ago. Growth for the year was strong in all regions, led by Asia Pacific, the Americas and Middle East and Africa. All channels recorded double-digit growth, with a notable increase in retail.

The operating margin reached a robust 34.3%. This excellent performance was primarily the result of three factors: significant sales growth, higher capacity utilisation, reflecting the strong growth in demand, and disciplined spending. These factors enabled strong operating leverage that drove the 330 basis point increase in the operating margin. Let us look at the main developments during the year.

Sales in the jewellery and watch category were excellent, with notable performance on the jewellery side from *Love*, *Clash* and *Panthère* at Cartier, *Alhambra* and *Perlée* at Van Cleef & Arpels and the *Opera Tulle* and *Macri* collections at Buccellati. For watches, Cartier benefited from the relaunched *Santos*, *Tank Must*, including the innovative *SolarBeat* model, and contributions from *Ballon Bleu* as well as from *Lady Arpels* at Van Cleef & Arpels.
The reach of the Jewellery Maisons' digital network further expanded with Van Cleef & Arpels launching its e-commerce activity in China and Saudi Arabia, which contributed to supporting the growth of e-commerce in the regions.

The renovation of the Cartier retail network progressed with major re-openings including Geneva rue du Rhône, Milan Montenapoleone and Riyadh Centria Mall. Buccellati continued to upgrade and expand its retail network, opening nine new directly-operated stores across the world, notably in Seoul Galleria, Dubai Mall and South Coast Plaza near Los Angeles. Buccellati also integrated its distribution in Japan.

ESG initiatives included the creation of the *Watch and Jewellery Initiative 2030* with Kering, which marks the beginning of a collective journey to ensure the industry creates positive outcomes for the planet and its people. Cartier successfully organised the Women's Pavilion at *Expo 2020 Dubai* inviting visitors to celebrate the central role women have played throughout history. Van Cleef & Arpels supported numerous educational events worldwide including "*From Hands to Hands*", an event designed to share jewellery skills and know-how with local schools in Lyon. Buccellati began switching its gold sourcing to Richemont's responsible gold supplier, Varinor.

Let us now review our Specialist Watchmakers business area, which consolidates the results of eight Maisons. Sales at the Specialist Watchmakers increased by 53% versus last year and by 20% versus two years ago. There was strong growth in direct-to-client sales, which now exceed 50% of sales. There was solid growth in all channels and regions, with notable strength in retail and in the Americas, where sales rose by 118%. Growth was also driven by strong local demand in all regions.

The operating margin rose to 17.3%, with an operating result almost double compared to two years ago as a result of higher sales, higher manufacturing capacity utilisation and continued cost control.

Let's now look at some of the key developments over the past year. Many of the Maisons as well as the business area itself have reached a new scale, with the Specialist Watchmakers generating sales of 3.4 billion euros, driven by double-digit growth at all Maisons.

Strong performance of iconic collections continued, including the performances of the *Lange 1* at A. Lange & Söhne, *Riviera* at Baume & Mercier, *Pilot* at IWC, *Reverso* at Jaeger LeCoultre, *Luminor* at Panerai, *Polo* at Piaget and *Overseas* at Vacheron Constantin, to name a few.
The Maisons have been transforming their business model over time to become more agile, engaging with their clients through new event formats such as the hybrid *Watches and Wonders* fairs.

The Specialist Watchmakers have been driving forward their ESG initiatives, notably through targeted partnerships. Recently Panerai entered into a two-year collaboration with UNESCO that focuses on education, citizen science and industry involvement. The Specialist Watchmakers are studying other areas where eco-design and new materials can help creation. One example of this is at IWC. During the recent *Watches & Wonders* fair, they revealed a new collection of straps, developed from 100% bio-based material using a mix of natural rubber, natural fibres and oils derived from upcycled waste of the agri-food industry. This brings higher circularity into the field of watch straps.

Now let us move to Online Distributors. Sales at the Online Distributors grew by 27% year on year and by 15% versus two years ago. This solid growth was broad-based with double-digit increases in all regions, driven by the Americas, Asia Pacific and Middle East and Africa. The business model shift has been successfully initiated.

The operating loss for the year was limited to 210 million euros and included significant, one-off costs linked to the adjustment of the operating model post-Brexit. Tight control of costs and investments led to an operating margin of -7.5% versus -10.2% a year ago. The EBITDA loss was reduced to 24 million euros, and YNAP stand-alone EBITDA reached breakeven before the exceptional reward payments to Group employees and negative contribution of the Chinese joint venture with Alibaba.

Before we look at some key developments over the past year, let me add that discussions with our LNR partners continue around exploring opportunities for closer future collaboration. This is quite a complex project and we hope to conclude in the near future.

Now, back to YNAP. The business model shift is progressing well. Several brands at NET-A-PORTER and MR PORTER have launched e-concessions, with some using a combination of 1P and 3P and others exclusively 3P. More recently, YOOX successfully launched its marketplace in Europe, on-boarding almost 80 sellers and nearly 50 thousand new products.

Key localisation initiatives have included the development of the Middle East and China, with other markets in preparation. As an example, in March, MR PORTER fully localised its Middle East store so that now NET-A-PORTER and MR PORTER Middle Eastern customers enjoy personalised site language and product merchandising addressing local nuances with the support of an expanded local personal shopping team.

THE OUTNET is seeing solid growth: it has successfully launched its menswear offer expanding its assortment into new product categories to attract a wider customer base. The new resale service started with NET-A-PORTER last October has been extended to MR PORTER customers in Germany, Hong Kong, the US and the UK, enabling them to resell ready-to-wear, accessories, bags, jewellery and shoes.

At Watchfinder, expansion outside the UK has contributed significantly to growth momentum and is increasing as a proportion of sales to around 25% of sales from 6% two years ago. Building on its success, the watch trade-in programme with Cartier and the Specialist Watchmakers has continued to be rolled out and is now available in 92 stores.

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. Sales in our Other businesses increased by 53% compared with last year and by 15% compared to two years ago. The performance was broad-based across channels and regions, led by retail, online retail and the Americas. Excluding the impact of the consolidation of Delvaux from 1 July 2021, sales were 45% higher than the prior year. On a two-year comparative basis, growth rates accelerated throughout the year, with double-digit growth for the last three quarters.

The business area's operating loss was significantly reduced to 47 million euros. This improvement was largely a result of good operating leverage through higher sales, higher gross margin, strong financial discipline and stepped-up investments into brand equity.

Let us now look at some highlights of the past year. The Fashion and Accessories Maisons have been strengthening their creative capabilities with the hiring of new creative directors at three Maisons. Building on the well-received first collections from these new creative directors at Chloé and Alaïa in the first half of the year, Montblanc launched in March its first leather collection designed by its new creative director.

Both Peter Millar and Delvaux showed notable performance during the year. Peter Millar including the G/Fore brand saw excellent growth in footwear and outerwear. Delvaux, which contributed over 100 million euros in revenues with a robust performance of its *Brillant* and *Tempête* collections, has brought exceptional savoir-faire to the Group.

Our F&A Maisons further invested in their retail network with targeted store openings, including new boutiques for Peter Millar in Dallas, for Chloé and Montblanc in China, dunhill in Japan Ginza Six and Delvaux in South Korea, to support their direct-to-client sales. In parallel, Chloé has continued to optimise its wholesale network. E-commerce investments in digital marketing and creative content across the Maisons have driven digital sales higher, notably at Peter Millar. The Fashion and Accessories Maisons have further embedded ESG into their operations. You may remember from the first half presentation that Chloé was the first luxury Maison to achieve the very demanding B-Corp certification. Montblanc has launched three collections in leather using upcycled nylon to reduce the impact on the environment while Peter Millar received GRS [Global Recycled Standard] certificates and transaction certificates to help with supply chain transparency on all fully recycled products.

FINANCIALS: Burkhart Grund

Let me now walk you through the rest of the P&L, starting with gross profit. Gross profit increased by 53% versus the prior year to 12 billion 79 million euros and the gross margin rose to 62.7%, increasing by 290 basis points compared to the year ended March 2021. This improved margin includes the positive impact from higher manufacturing capacity utilisation, particularly at Cartier, a further a shift towards retail, a favourable country mix and targeted price increases. This was partly offset by rising precious material prices, the impact on costs of a strong Swiss franc and the phasing-out of PVC as well as a 70 million euro valuation adjustment on inventories held in Russia

Let us now look at net operating expenses. At 8 billion 637 million euros, operating expenses were 35% higher than the prior year, significantly less than the 46% increase in sales. At constant exchange rates, operating expenses grew by 34%. The increase reflects higher sales as well as the non-recurrence of pandemic-related one-off items in the prior year. It also included additional reward payments to Group employees to recognise their strong contribution to the Group's exceptional performance during the year. I will now walk you through the expenses by category. Selling and distribution expenses, which accounted for 48% of total operating expenses, compared to 51% in the prior year, increased by 29% at actual exchange rates and by 28% at constant exchange rates. The increase was partly due to an increase in store openings, particularly in the second half of the year and increased variable lease costs, primarily in Asia Pacific. As a percentage of sales, selling and distribution expenses improved to 22% of sales compared with 25% in the prior year.
Communication expenses were higher by 81% at actual exchange rates and by 79% at constant exchange rates. We increased investment in brand equity and resumed with in-person events such as high jewellery events and *Watches & Wonders* in Geneva, which returned as a physical event for the first time in three years. The communication expense ratio was close to 10% for the year, in line with pre-pandemic levels.

Fulfilment expenses rose by 37% at actual exchange rates and by 35% at constant exchange rates. They remained at around 3% of sales, in line with prior years.

Administrative expenses were higher by 18%, and by 17% at constant exchange rates, reflecting continued investments in IT and an increase in headcount. Good cost control contributed to expenses rising significantly less than the increase in sales. Administrative expenses improved to 9% of sales compared to 11% a year ago.

Other expenses of 344 million euros were 26% higher than the prior year both at actual and constant exchange rates. The increase can primarily be explained by the 98 million euro charge related to the uncertainty surrounding future operations in Russia. Other expenses included a 173 million euro valuation adjustment, which mainly consisted of the amortisation of intangible assets recognised on acquisition.

Net operating expenses as a percentage of Group sales decreased from 48.6% a year ago to 45.0%.

Operating profit rose significantly versus the prior year, more than doubling to 3.4 billion euros. As a result, the operating margin increased by 650 basis points to 17.7%, compared with 11.2% in the prior year. As pointed out in Jérôme's introduction, excluding the 168 million Euro charge related to Russia, operating margin stood at 18.6%.

Let us now review the rest of the P&L items below the operating profit line, starting with finance income. Net finance costs amounted to 844 million euros compared to a net finance income of 25 million euros in the prior year. The 869 million euro negative swing primarily related to two factors. First, a 194 million net foreign exchange loss on monetary items versus a 49 million euro net gain in the prior year. Secondly, we incurred a 538 million euro non-cash, fair value loss compared to a 188 million euro gain in the prior year.

These fair value adjustments mainly related to investments in Farfetch convertible notes and the option over additional shares in Farfetch China, whose values are driven by the variation of the underlying Farfetch share price. In addition, 188 million euros fair value adjustments were incurred on short-term bond funds. These were only partly offset by an 8 million euro gain on hedging activities, which was a positive swing of 88 million euros compared to a year ago.

Let us now turn to the profit for the year, which increased by 61% to 2 billion 79 million euros, with the profit margin rising by 100 basis points to 10.8%. The increase primarily reflected the higher operating profit, partly offset by the negative swing in net finance costs just mentioned and higher taxes. Our effective tax rate for the year amounted to 19.6%, in line with our expected 19 to 21% range.

There was a significant 1.4 billion euro increase in cash flow generated from operating activities to 4.6 billion euros. The 44% increase is mainly explained by the much-increased operating profit for the year, coupled with a measured increase in net working capital. Higher inventories to support the sharp growth in sales as well as higher trade receivables were offset by additional liabilities.

Let us now turn to our gross capital expenditure, which amounted to 871 million euros, 70% higher than the prior year. Capital expenditure as a percentage of Group sales however amounted to 4.5%, in line with pre-Covid levels.

46% of gross capital expenditure related to points of sale investments, including internal and franchise boutiques as well as external points of sales. Most of the spend was on boutique renovations and relocations at Cartier. These included renovations on rue de la Paix in Paris, Via Monte Napoleone in Milan and Cheongdam in Seoul and the relocation of the Jeddah Al Khayat Mall store in Saudi Arabia. Gross capital expenditure also included the opening of the Van Cleef & Arpels boutique in Taipei Breeze and at Dubai Mall for Panerai, amongst the 25 internal store net openings.

Manufacturing accounted for 17% of gross capital expenditure, and related primarily to R&D, increased jewellery capacity and machinery, mostly at the Jewellery Maisons and the Specialist Watchmakers.

Other investments accounted for the remaining 37%, mainly reflecting ongoing investment in information technology at YOOX NET-A-PORTER.

Let us now turn to free cash flow. Free cash inflow amounted to 3 billion euros. The 1.2 billion euro increase compared to the prior year is mainly the result of higher cash flow from operating activities, partly offset by higher capital expenditures.

And now, on to our balance sheet, which remains very strong, with shareholders' equity accounting for 50% of the total. Net cash increased to 5 billion 251 million euros at 31 March 2022, up from 3 billion 393 million euros at the end of the prior year, as a result of the items discussed on the previous slide.

The Board has proposed a total dividend of 3.25 Swiss francs per 1 A share or 10 B shares made up of an ordinary dividend of 2.25 Swiss francs per 1 A share or 10 B shares, up by 13% over the prior year, as well as an additional special dividend of CHF 1.00 per 'A' share/10 'B' shares, subject to shareholders' approval at the Annual General Meeting on 7 September 2022. This proposed increase of the ordinary dividend as well as the proposed special dividend reflect our excellent results, robust net cash position and the confidence of the Board in our long-term growth prospects. Please remember that two years ago, the cash dividend paid was supplemented by the issuance of shareholder loyalty warrants with a value upon issuance of 34 cents per 1 A share/10 B shares.

CONCLUSION: Burkhart Grund & Jérôme Lambert

Burkhart Grund: Before summarising the past year's performance, let me share how committed Richemont is to ESG matters and how progress looked like during the year under review. Let me share the external recognition we have received for the past 20 years of work devoted to sustainability. First, Richemont was recognised as an industry leader with an AA rating by MSCI recognising our low exposure to ESG risks and our management of those risks relative to peers. MSCI noted in particular Richemont's responsible sourcing programme and carbon footprint management. Second, Richemont received a 10.7 risk rating score from the ESG rating agency Sustainalytics, putting the Group among the top 2% of nearly 15 000 companies rated worldwide by the agency.

Chloé became the first luxury Maison to obtain the demanding B-Corp Certification, demonstrating the highest social and environmental performance standards.

We have made strong progress on the environment pillar of ESG. Our Science Based Targets have been validated by the SBTi and provide us with a defined structure to reduce our carbon footprint, while future proofing our business for greener growth. In this context, Richemont was recognised for its leadership in corporate sustainability by the global environmental non-profit organisation CDP, achieving a place on its 'A List' for tackling climate change, one of 200 companies out of 12,000 ranked. Richemont was also recently named among the Financial Time Climate Leaders for 2022. We were recognised amongst the 400 companies across Europe that have achieved the greatest reduction in their greenhouse gas emissions between 2015 and 2020.

Last year, we joined the RE100, a global initiative of the world's most influential companies, all committed to 100% renewable power. We are making good progress on our ambitious goal of 100% renewable electricity across all our sites by 2025. Today, we are operating with 92% renewable electricity worldwide, an improvement of 28% since 2020.

During the year, we set a target to eliminate polyvinyl chloride (PVC), a plastic which is nearly impossible to recycle, from our creations and packaging by the end of calendar 2022. We are on track to achieve that target.

To contribute to a more circular fashion system, a new luxury resale service powered by *Reflaunt* was originally launched by NET-A-PORTER in the UK, then expanded to Hong Kong and Germany. This service has since been introduced in those three markets at MR PORTER RESELL, the first dedicated luxury resale service for menswear, and at THE OUTNET for mens- and womenswear.

Moving to Social, we are pleased to be ranked by Forbes among the world's top employers, ranking 113th out of 750 companies. This is a tribute to all the work achieved by the team over the past two years to become a more people-centric organisation. We have notably defined our vision for Diversity-Equity-Inclusion around our belief that 'Diversity is everyone' with a newly appointed Group Director DEI as well as DEI champions within each region. We have partnered with the EQUAL-SALARY Foundation, with the goal of 100% equal pay by 2024. Our community investment spending has increased to €42m or +17% versus 2021. Beneficiaries include charities involved in healthcare, social and economic development, education, women's welfare and children.
Moving now to Governance. Each year, we refine our governance processes to ensure we can fuel the level of change we need to become a truly sustainable business. We have strengthened our sustainability governance both at the executive and Board levels. Dr. Bérangere Ruchat is our first-ever Chief Sustainability Officer. She brings an outstanding track record in delivering sustainability performance through setting ambitious ESG goals, building innovative partnerships and developing strong teams. She will further raise our sustainability ambition and further embed sustainability across the Group. Building on the successful establishment of our Board of Directors' Governance and Sustainability Committee under Clay Brendish in 2021, we were delighted to appoint Jasmine Whitbread, as the Committee's new Chair. Ms Whitbread is an experienced Non-executive Director with extensive experience in ESG initiatives.

Moving back to numbers now, with a summary of our financial year performance. Sales were significantly above both last year and two years ago, showing a significant step change at Group level and at most Maisons. There was good operating leverage leading to a sharp increase in profitability, which in turn led to a strong operating margin. We saw excellent performance from the Jewellery Maisons and the Specialist Watchmakers and a notable improvement at the Online Distributors and at the Fashion and Accessories Maisons.

We have established a solid ESG foundation that can be built upon, notably with the validation of our Science-Based Targets. We are proud of our external recognition but look to continuous improvement. To help us on this journey, we strengthened the ESG team with the recent appointment of a Chief Sustainability Officer and increased expertise at Board level. Back to you Jérôme.

Jérôme Lambert: Thank you, Burkhart. Before closing, let me reiterate the main highlights of fiscal year 2022 by business area.

Starting with the Jewellery Maisons which enjoy a leading position in the jewellery industry, driven by a combination of unparalleled creativity, high savoir-faire and impeccable execution. Our three jewellery Maisons are renowned for their highly distinctive, attractive and timeless designs. These factors have led to a solid track-record of outperforming the luxury industry in both sales growth and profit margins through cycles. This year is no exception: sales exceeded 11 billion euros and operating margin reached 34.3%.

The Specialist Watchmakers have continued to transform their business model, investing in luxury new retail, our approach centred on client initiatives, with experiential flagships, new services with added benefits such as a watch trade-in service through Watchfinder as well as experience programmes to enchant clients beyond mere sales transactions. Noteworthy examples of these innovative concepts include Jaeger LeCoultre's *Atelier d'Antoine*, a discovery programme on craftsmanship, or an experiential and unique outdoor adventure programme offered to the buyers of certain Panerai watches. As a result of our focus on online and physical retail distribution, direct-to-client sales now exceed 50% of sales.

Strong and enduring demand for many collections, previously mentioned in the presentation, has led them to reach iconic status, thereby creating long-term value for our clients.

All these factors contributed to the strong 53% sales growth achieved by our Specialist Watchmakers whose sales exceeded 3.4 billion euros, with many of our eight watch Maisons reaching a new scale in sales. This in turn resulted in operating profit almost doubling compared to two years ago, and translating into a healthy 17.3% operating margin.

With sales of 2.8 billion euros, our Online Distributors generated good sales growth of 27% and 15% compared to one and two years ago, respectively. Supporting further growth is the shift in business model that is on track at NET-A-PORTER, MR PORTER and YOOX while, separately, Watchfinder continues embedding its watch trade-in programme across the Group.

As to our Fashion and Accessories Maisons, they renewed with robust sales growth of +53% compared with last year and +15% compared to two years ago. We are pleased that key Maisons have delivered profitable growth with several others now close to break-even. Growth was partly driven by positive contributions from the renewed creativity leadership at Alaïa and Chloé. We expect similar benefit from the new Montblanc creative director. Finally, let me highlight the proprietary savoir-faire in the high-end leather good manufacturing that the acquisition of Delvaux has brought to Richemont, notably through its two leather workshops in the centre and East of France, and the other in Brussels.

Now, just a few more words to conclude before we move to Q&A.

At Richemont, we are well positioned for long-term growth underpinned by the enduring appeal, timelessness, beauty and quality of our products which are passed on from one generation to the next. As we are increasingly multiplying touch points with our clients, we are developing a closer relationship and are better able to serve them. We are pleased to see that we appeal also to a young clientele.

We will continue to invest in long-term brand equity to ensure that our Maisons and businesses have the adequate resources and talent to build on the new scale they have reached and grow responsibly. Over the past years, we have made significant efforts to gain in agility and adaptability to meet volatile market conditions. We have also helped our retail partners better manage their inventory levels, thus protecting our brand equity at the same time.

Richemont is in a strong financial position, with a robust balance sheet. The current market conditions with the conflict in Ukraine, increased health restrictions in China, higher inflation around the world and higher interest rates create uncertainty and volatility. We remain focused on the long term, while maintaining a close eye on developments in order to adapt our operations as needed.

I would like to close this presentation by thanking all of my colleagues throughout the organisation for their dedication, ingenuity and discipline. Together, we will craft the future. This concludes our presentation.

We will now open the floor to questions. Thank you.

QUESTIONS AND ANSWERS

Sophie Cagnard: We will start on the left hand side and please if you could give your name and company. I think it's you Louise.

Louise Singlehurst: Good morning, it's Louise Singlehurst from Goldman Sachs. Thank you very much for taking my questions and it's great to see everyone again in person. It's been a long time. I wonder if I could start off with the obvious question with regards to China. Would it be possible to get an update on the operational environment, what you're seeing at the moment? More broadly I think Mr Rupert, you were talking this morning of potentially a slower recovery. Is it possible to give us an indication of how you're thinking about the market in terms of is that more logistics and impediments to traffic returning to stores, or should we all be being a little bit more prudent in terms of how we think about the underlying strength of the Chinese consumer? Then my second question was regards to YNAP, thank you for confirming that the talks are obviously still ongoing with regards to luxury new retail. I just wondered if you could talk to us, whether the initiatives that you outlined back in November, that all of those, whether it be distribution, discussions with Farfetch and platform solutions are still all on the radar, including that minority ownership stake.

Whether in terms of if there are talks which don't come through to any solution and they come off the table, is YNAP positioned for strength in online going forward, thank you.

Johann Rupert: Sorry, I didn't catch your name, in the start?

Louise Singlehurst: It's Louise Singlehurst from Goldman Sachs, thank you.

Johann Rupert: Okay, Louise. The view that I expressed on China is anecdotal, it's from reports that I got from friends of mine in China. Entrepreneurs and people who are plugged into the society, Chinese friends. They really cautioned me against making the assumption that post the economy opening up or the lockdown stopping that we will see the same bounce back as before in China and in the United States and in Europe and in Japan. It's not doom and gloom, it's just saying for triple digit growth, don't think it's going to be like we have in the United States at the moment. They're in a different period of the cycle really. The problem that we have today is there's so much information out there and if you focus on luxury goods, you focus on this, on that. One should really have a very broad picture. One of the biggest pictures you can have is to have a look at the number of ships that are lying offshore, not only in China but in LA and all over. I have friends in the shipping business, well, MSC right here and we have a real supply chain problem. People can't find their containers. The top two or three, yes, but there's a gridlock. Try and book a container today, you can't. The prices have rocketed dramatically. Now, in commerce people have to ship goods and I thought I'd never ever see a thing like when a hurricane hit our distribution centre in Italy, I thought that's a once in a lifetime.

I'm just glad we're in non perishable luxury goods. I would hate to be in fast fashion, I would hate to be in a position where my Fall or my Spring or, you know, my seasonal goods are somewhere. So, we must expect that China's re emergence after lockdown will not be as dramatic, you know, 70%, 80% etc. growth. That's all I said, and that's all I said, please folks, because we as humans try to over extrapolate. If things go down we think they're going to hell. If things go up, we always overextend the trend, it's humanity, you look at all the various cycles. We loathe to predict a discontinuum, and it was in that vain that I said, 'Please do not assume it's going to be open and it's going to be a boom.' Also, China's growth rate has slowed down. As hard working as they are, as smart as they are, I'm not sure that any society undergoing that lockdown will be able to grow 6%, 7%, or 5%. So yes, it will be a while before they will return, but there will be a period where people are fearful of losing their jobs. Not with us, but with big corporations. I suspect this is anecdotal from what friends are telling me there. So, I just wanted to caution you, not to put in your projections China opening and it goes up again. We've, you know, I was saying to my colleagues in July this year, it will be 46 years that I've been involved with Cartier, from when I was 26. So, I saw 1987, firstly I saw the stagflation in America.

Whatever anybody you have-, none of you, you're too young to have been through stagflation, it's a nightmare, a true nightmare for industrialists, for the real economy. So, I saw 1987, that's when we we're starting Richemont, in the middle of Richemont, October 1987. Then the dot com and then for merely being conservative and saying things are getting out of hand in 2007, they called me “Rupert the bear”. I don't think that was bearish, I should've thought “Rupert the realist” would've been nice, but it happened in 2008. Then I'm sorry, but the central banks in the world have behaved irresponsibly. They've created too much liquidity globally and they penalised the backbone of society, the conservative element of people who actually saved. They drove their pension funds into equities because you could not earn anything with negative interest rates. Worse than that, they benefited the people with capital, because one could borrow at 0%. The people who needed capital, the smaller and medium sized businesses did not have that same benefit. As a result of being driven into equities, the share prices rocketed, and of course we had the whole new economy with free capital we make money or free cash flow in fifteen years' time. Well, that's being sorted out in a hurry right now, but it's all the price of-, if you get something for free, you abuse it.

In England where it rains all the time, you don't have water meters, but they have a shortage of water, because you don't pay for the water you use. Give any human being something that's wrongly priced and we abuse it. We abused all the natural resources of the world over now centuries. Capital was given for free, free enterprise can't work without the other right. Now, things are turning to normality, I think that Europe, the United States, Japan, we're all going to have a dose of reality. For that, that we prepared our balance sheet, we went and borrowed 8, 12 and 20 year money at what I think in the end will be negative, right? If you take what we're paying and you take the inflation rate, and we've prepared ourselves for a period where this growth won't be 30%. I mean how do you call when we had the wrong incentives and our watch business was growing around 2012, 2013 to 2015 at 35%, compound. What did we do, oh no, now we look at the turnover per square metre, we take out the leather goods out of Cartier, we put watches in. So, we handed the leather goods business to the other companies. Then the democracy rights started in Hong Kong, and you can actually take that date the watch business dried up. Hong Kong was the biggest watch market in the world, and we suddenly found out that we had far too many watches. It was in November, so we had to clean the watch market up, it took us four years, get the excess stock out.

At the same time we're doing online and I hear these questions about online all the time and the losses. It's not-, our business is doing-, we're learning tremendously in our joint venture with Alibaba. These are investment costs, but earlier this morning I had a discussion with Cyrille about a lease in America. I was saying, and he had to explain to me. You will never ask me that cost, but if you take the present value of that cost, it's much more than 40 million in building pipelines. What we're doing is we're building pipelines, digital pipelines. It's just another-, it's not a panacea, it's not a cure for anything but it is a route to market, but more importantly a route to product for the consumer. If you don't do it, you will be left behind. You will be left behind if you don't believe it. For instance now, I'm not too hot on Bitcoin, or cryptocurrencies because in the end it will deprive central governments of taxation, and no government can survive without taxation. It's a utopia to think that you can get free medical services, free etc. So, in the end there will be a reaction, but the science upon which it's based, we absolutely believed in. For authenticity, we will certainly be using the math if I can put that.

I just worry at times that people focus on the wrong things in our business. YOOX NAP, Farfetch, we are learning a lot, and I dare say they also learned from some of the work that Cartier for instance, that they've been doing, and we're learning a lot from José, and José is not arrogant, and he has admitted that in luxury new retail, he's learned a lot from Alaïa and also from Cartier. Yes, we have had discussions with other partners, but it's very, very complex, and I would say it's advanced enormously. I'm not claiming any credit for it, zero, nothing. I'm not involved in it, but I know it's important that we do it, but you worry about it. You know what our annual expenditure in leases, annual expenditure is? It's in the accounts.

Burkhart Grund: 1.1 billion.

Johann Rupert: Yes, compare that to our total investment, online. If we succeed online we'll be able to turn quite a big percentage of our fixed costs into variable costs. Now, that's the play. I prefer businesses with higher variable costs and lower fixed costs. So, it's something that I promised you years ago that we'd try and we'll attempt to do it, but that's what we're going to try and continue to do. So, don't worry about it. It's not going to explode, it's not going to increase in cost, we're pretty close to where we want to be. In fact, yesterday I asked the people, I said, 'We do it or we drop it now, okay?' So, that both sides can understand that this is not another three, six months. We all agree that we've got to do it, so now do it. Don't have author's pride. Remember I ran an investment bank and I worked at Lazard and the problem that you get when you get into details in both sides of these M&A types who have to prove their worth. In the meantime the guys who want to do the business, they just want to get on, but they're like two peacocks. No insults to our or their side, but they miss the big picture. Sorry, it was my biggest problem always running Rand Merchant Bank and even at Lazard. We have a client who just wants to get the deal, then the other bank, they have a client. In the mean, middle, you get to investment bankers and lawyers, and trust me, they can be even worse.

We want to score points, score points, we are not in a position where there's a disagreement between principles, if I can put it like that, okay? There's a buy in from Cyrille and from Nicolas and from our Maisons, they bought in. So, there’s been a tremendous progress. I was a bit surprised by the market reaction today, because operating profit miss, was it $200 million, or what?

Sophie Cagnard: About that when you remove Russia.

Johann Rupert: No, whatever the people said.

Burkhart Grund: Didn't miss our expectations.

Johann Rupert: No, but Russia that we fully provided for is nearly that miss. Forex, you added-, we're not going to give you-, I mean our sales have exploded, our costs are under control, I'm happy. Some of the early friends here who are sitting in the front, looking at you, yes. No, well I'm not often happy, but don't tell me to give you the future, I can't. If I knew I'd tell you but I have no idea, sure.

Sophie Cagnard: I think it’s Patrik.

Sophie Cagnard: You all raised your hands at the same time, yes.

Johann Rupert: Yes, no.

Sophie Cagnard: We go from left to right.

Johann Rupert: Okay, don't worry we'll get to you.

Patrik Schwendimann: Thank you Sophie.

Johann Rupert: It's Sophie, don't blame Sophie.

Patrik Schwendimann: It’s Patrik Schwendimann, Zürcher Kantonalbank, thank you Sophie. Thank you first for the special dividend, much appreciated, and my questions are do you see already any negative impact due to the wealth effects like stock markets, some real estate effects in China, that's my first question. Second question, what are your cost expansion plans in this, more or less uncertain environment, is there still some catch up effect for the current year, that's my second question, thank you.

Johann Rupert: You know, if you look at the wealth effect, I think those are in a very concentrated place, I think the same people who are in the same funds and in the same bits, which is a crowded exit that they all experienced. So, I don't know. We haven't seen it yet.

Burkhart Grund: No, we haven't seen it yet if I might add, and, you know, China and we had a question this morning when we were speaking with the press, do you see any change in behaviour in your clients in China and the answer was, 'Well, we don't see our clients today,' because it's more than a joke. It's 40% of our networkis closed today, and with a large concentration in, you know, in China's biggest cities and commercially relevant for us. So, we are really today in a lockdown environment in China, 100 stores closed out of 250.

Johann Rupert: Also online if you think.

Burkhart Grund: Online, with the let's say the ricochet effect of having distribution centres closed temporarily over the last weeks, you know, online, it has a spill over effect onto those stores now, or onto those online stores. Now, what we can say is it's happened before, we've seen effects going into lockdown, coming out of lockdown. Now, can we project them out at the same way, in the same way, in the same strength as we've seen the rebound, we're not sure. We're cautious, we don't know, we'll find out, because as the Chairman stated earlier, we are probably in China, at a different stage of the cycle, but we all only will know that with hindsight, and you as well. So, the only thing we can say, we take care of our people in China, we have found alternative routes to actually bring the inventory in, into China, because we cannot depend on a single point of entry in Shanghai. So, we've found alternative routes.

Johann Rupert: Legal.

Burkhart Grund: All compliant.

Johann Rupert: Sorry.

Burkhart Grund: Don't worry about it, we're not docking-,

Johann Rupert: Fully taxed legally.

Burkhart Grund: We're not docking with ships in the middle of the night, no, in strange locations. Obviously especially on the hard luxury side, we have additional compliance obligations etc. So, that is all set up, the inventory levels we have are fine, meaning no excess inventory and no missing inventory in China. Our stores, our partners, are well equipped with that and we're ready to open back our doors when that is possible. I think that's the best thing we can say today about the China market. Do we see any changes in consumption patterns today, we simply don't know. It's a very recent phenomenon and we will have to see what happens when we open our distribution again.

Johann Rupert: We do not see anything, that's quite right, so it's anecdotal. And it's better to earn 5%, 10% on the downside and not shoot for the stars. The added-, we actually used inventory that was on its way to China and sent to Japan, because we short our product. You know, we're working flat out but you cannot ask-, it takes 20 years to train a proper Watchmaker at Lange, Vacheron and these places. You can't just say, 'Okay, do 15% more.' There's a human capacity element. Waiting lists, so there's a shock absorber, we don't have excess stock, our stock is key. That's the key to me, and we do not have perishable stock, which is just lucky. We weren't good enough at fast fashion, otherwise we would've had a hell of a lot of excess stock as well.

Jérôme Lambert: To the point now, we are still under capacity constraints today, despite a big effort that we have done in recruiting and developing our team.

Johann Rupert: Yes, we added 1 500 people in Switzerland alone.

Jérôme Lambert: Where we are now, 10 500 people working.

Johann Rupert: It's a strange world, did you think you would get that-, you pay a big premium for a second hand Range Rover. You look at the motorcar industry, there are no more discounts, but you wait 20 months because-, so, you know, think about other industries. Think about being dependent upon microprocessors, there's a dynamic that has changed. Even if the United States today starts building, it's four years, I'm told you can't do it within four years. So, globalisation saved the West from inflation because the Chinese were more efficient and they produced the goods cheaper and better, and that's what led to president Trump, because of the job losses. So there are many things that are happening, you should read Ray Dalio's book on the changing world, the latest one, I think he's got it. He's not only a smart investor, it's a very good book, but we're in a good shape, okay? Stop asking me about things that are variable costs that are planned. It's not a negative contribution, it caused an investment loss. We are spending the money, not because we have to, but because we're busy building access for our clients to us, and us to them.

I've learned from Alibaba the value now of really knowing your clients. Look at our watch business, for years we only captured 18% to 20% of the data because of the wholesale nature of it. We go to an eight year warranty because our quality is good enough and guess what, the client data is coming in. I laugh, but in the past, nobody would give you their data. Now, if they're waiting for a Vacheron or a Lange & Sohne, they'd give you their dog walker's telephone number, just in case you missed them, that you can call day or night, or, 'Please let us know.' It's a crazy world out there. You, an 18 month waiting list, it's not nice. As we spoke about, you know, a second hand Range Rover with 30 000 miles on is more expensive than a new one. That won't last ad infinitum but we've got bottlenecks in-. Basically, the supply chain is going to take a year or so to unclog, and that's really want I'm saying. We're not seeing danger signs of flashes or drops but don't project 30%, 40% growth per annum for anybody. If anybody tells you that, they don't know what they're doing or they're lying. I don't know what's worse. Sorry.

Sophie Cagnard: Okay, Edouard? We'll go that way, yes, and Zuzanna afterwards.

Edouard Aubin: Hello, so Edouard Aubin, Morgan Stanley. So, coming back to the share price reaction today. So, I think, obviously, the main thing is the-, the disappointment is the lack of operating leverage for the Jewellery Maison division. So, if we step back and we look at the earning season, right, in the luxury space, the leading, you know, luxury brands have posted record high, almost all of them, record high operating margin. Obviously, one of the drivers, not the only driver, but one of the drivers was operating leverage. If I look, you know, at Cartier, Van Cleef, you should be posting record high sales density at your stores today. So, you know, how come you're not getting more operating leverage? I understand you're investing for the future but so are your peers as well. So, and related to that, is that the best we can get in terms of operating margin for the division? I know you are extremely reluctant to give guidance.

Johann Rupert: My friend, how many goods will we sell if we give people our true operating margin? If we tell everybody, 'This is what we make on X, Y, Z,' we give the truth but there are lots of costs in these divisions.

Edouard Aubin: I know, I'm obviously not asking for any trade secrets, so that's, I guess, my first question, and then, sorry, the second one is on Specialty Watchmakers. So, you know, I guess a very simple question, what type of top-line growth do you need to post to be able to get some operating leverage? Burkhart, you've talked in the past about, you know, the move to DTC. My understanding that you're cutting, a bit, the number of POS, number of DOS is more or less stable, so again, sales density going up. You know, in a scenario where you have sales of mid single digit, could you have, you know, operating margin expansion because, again, of DTC, changes to DTC? Thank you.

Burkhart Grund: Edouard, well, happy to see you in person but I am a bit troubled by the question you're asking me because I don't understand what you mean, the lack of operating leverage. I mean, Jewellery businesses are very significant business. They've crossed the 11 billion mark in sales today and they have a 34%, 34.3% to be precise, operating contribution, up from 31% a year ago. Now, where is the lack of operating leverage on that? I just want to understand, and secondly, same counter-question on Watchmakers, 17.3% operating contribution, following a 5.9% operating contribution a year ago. Now, I think there is-, and I'll be very clear about that, I think there is overblown expectations that have definitely not been fuelled by us, because you remember when we had the first year results out there and the discussion we've had out there, that we said, 'We have very strong first-half operating contribution,' but if you look at the seasonality of it, it was probably overblown and we have not been arguing for the contrary because we had a cyclicality, in the sense that, and you've seen it through the numbers, sequential acceleration of our sales base, coming out of this pandemic, throughout the entire year.

So, we have seen all our Maisons gradually, step-by-step, increasing redeployment of capital into their businesses on many fronts. Including in communication, and I'll speak to that, including in hirings, including in, let's say, retail or boutique projects, meaning CAPEX, including manufacturing and capacity increases that we desperately need for the Jewellery Maisons, and to a lesser extent, for the watch Maisons. We have said that, in the second half, and going into the current fiscal year, we will see a step-up of investments into our businesses for the long term, and this will play out in the second half of this year and it will play out going into fiscal year '23. Now, let me give you some additional insight. If you look at the expenses in the first half and in the second half and you put them in relationship to sales, I'll be very precise, the first half, full expenses, overall expenses, on sales were 41.4%. You can do the math, it's all out there. In the second half, it was 48.2%. How shocking, 6.8% or percentage points higher on sales. Now, if we drill into that, it's a very simple math here, 6.8 overall, 3.6 is communication spend. We have increased our communication spend by 81% this year, so that is a big driver of it. There's another 1.5 percentage points out of those 6.8 that comes from selling and distribution expenses.

What's behind it? Projects, meaning depreciation, hirings, meaning staff costs, and additional reward payments that we have given to each and every employee in this company, to recognise their very significant, strong contribution that they have done, not over many years but especially during those last two years. So, that is 1.5 percentage points of those 6.8. Third one is non-recurring expenses, meaning Russia and the risk adjustment of impairment we did on our Russian assets. That actually has played a part in our expenses. That's one point of those 6.8, and has also played an additional part or has had an additional impact of 70 million on our gross margin or gross margin rate. So, that explains 90% of the worry or the miss or however you want to qualify it. Now, we all know how the game goes, right? I mean, we have a reported earnings of 3.4 billion. Okay, we add stuff back in, you know. I can do you the math. I'm very easily at 3.6, 3.7, in that range but that's-. I know but, I mean, let's not kid ourselves, we have invested in our business.

Johann Rupert: You all feel a little bit sore about it.

Burkhart Grund: No, it's fine.

Johann Rupert: No, you can explain it. The fact of the matter is, I said, years ago, 'To grow dividends by 15%, and we need to always retain more in the business, we need certain operating profits.' In order to get those operating profits, we need to build brand equity. That's my job. We paid 310 million for Van Cleef, that'll have a fleet cash-flow of over 1 billion this year, right. That's our jobs. We could raise prices quite significantly, like some of our competitors have done but if my fears are correct and there's a slight slowdown in demand, are we going to drop prices? Or do you treat clients properly and you don't use-, this Lange & Sohne, the first steel, the Odysseus, I had to push them up a little bit because the market initially, 'Steel Odysseus,' I said to them, 'It'll sell, relax.' Now the waiting list is nearly two years. I didn't jump the queue. This thing was made about 20 times before I said, 'Okay, you can go.' I see every product that's made, unlike what some of the bloggers write, that I play golf, no, no. Every product, we see, there are six of us who work with each management.

The bracelet wasn't up to standard. Now, the moment, if you get it, you put it Phillips, the watch auctions, you get three times more than what you pay us. We could double the price and they'll still go but then what happens? Does the client still trust you? So, our flexibility, our price elasticity, which, to me, is the key driver, what you folks should worry about is the price elasticity and the brand equity because when things become ubiquitous and they're all over and logoed, then clients start looking and they start seeing logoed people that they don't want to associate with. Guess what, three, four years later, the brand's in trouble. That's what I look at, as an investor. I look at, 'Is the thing ubiquitous? Is it everywhere?' When I say, 'We don't like discussing margins,' it's gross margins but you get your net margins, we have operating leverage, trust me, but-, sorry?

Jérôme Lambert: Growing.

Johann Rupert: Growing, but, you know, Russia, we didn't have to write everything off but we just said, 'That's the write-off.' It's a bit concerning, relax, we have operating leverage. That's why I like, Edouard, that's why I like variable costs. I share your issue.

Cyrille Vigneron: It's some other part that we have to face in about two years, the price of gold has really gone up, the price of diamond, really up, we're a Swiss fund base, it really went up. On the market side, US and China are not known to be places with costs through operational low, and we have been growing super-well. So, to consider margin the way we did, with two things, when distribution costs, of course, grow in countries like that and the cost of operation is, on manufacturing cost, very high, shows we have really considered it well. So, you are very picky on what it means overall. So, leverage has been huge on the past two years, based on these factors, which shows brand equity is very strong.

Johann Rupert: Look, I would be really concerned if the brand equity didn't allow us pricing power, and therefore operating leverage. Your turnover doesn't go up that much and your fixed costs stayed down without making money. Look at our free cash-flow. You know, it's not that long ago that we spun out VAT, and I kept a lot of cash in the luxury goods business because I said, 'Goddammit, are we ever going to create cash out of luxury goods?' The tobacco, we got rid of our liquor and hotels and stuff and stayed with luxury goods, and I was worried about the cash-flow, and today, the cash-flow is superb, and we worry about cash-flow.

Sophie Cagnard: Zuzanna.

Zuzanna Pusz: Thank you, Zuzanna Pusz from UBS. I have two questions, sorry, I guess there's been already some good questions out there, so probably we will be entering a dangerous territory as we go to the left.

Sophie Cagnard: Is it for Luca?

Zuzanna Pusz: I worry about Luca. My first question will be on-, well, you probably won't like but of course you don't want us to ask about the future because it's a bit difficult to predict it but you can probably tell us a bit about the past, and April is past. So, maybe you could give us a hand and give us some idea about the trends you've seen in April?

Johann Rupert: April is okay.

Zuzanna Pusz: Would you able maybe to tell specifically if APAC was still positive, given the drag from China? So, that would be my first question.

Burkhart Grund: Yes.

Zuzanna Pusz: Okay, perfect. So, my second question will be on pricing. I think Mr Rupert made some fair points, that obviously the consumer doesn't want to feel that you take advantage of them but obviously there's a huge inflation, right. So, if the cost of bread, milk goes up, I'm pretty sure the consumer can accept the costs of Jewellery going up. So, would you be able to maybe share with us the level of price increases you've been seeing? I mean, I've read on some blogs online that I think it was roughly double digit for Van Cleef, mid single digit for Cartier but knowing you have a global pricing policy, it would be just helpful if you could tell us a bit because we obviously see lots of pricing. Given that my first question was answered quite quickly, maybe if I could just ask about the costs related to Russia, was it mainly Jewellery Maison? It would help us get an idea of actually what was the underlying margin for Jewellery Maison because I guess, if it was all Jewellery Maison and the margin was in the mid 30s, which, you know, is a decent margin still, thank you.

Burkhart Grund: I think that question is a bit too sophisticated for me.

Sophie Cagnard: Burkhart, this question was asked a number of times on the web, whether we would provide some colour on the segments.

Johann Rupert: It's our cost of doing business in Russia, it's broader. It's not just Jewellery Maisons etc. Remember, we're paying the salaries, we don't have a business.

Jerôme Lambert: When it comes to inflation and the rise of the cost, that will create the necessity to increase the price. Our chairman spoke from the price elasticity just before, and indeed, building the brand equity over the last years has been making us capable to increase, quarter-by-quarter or semester-by-semester, the price. So, we have been constantly, I will say, adjusting, not moving up by pleasure, but adjusting price over the last three years.

Johann Rupert: Yes but, sorry, you see why I hate getting into these things. You're technically correct but it implies a strategy of face taking, of increasing profits through pricing. We have not done that. We've not used pricing in order to increase our profits, as a tool. We used efficiency. We used turnover. So, because we have a global pricing, it is pretty difficult, if you have a boom here and not a boom there and currency fluctuations, to try and keep a stable price, a universal price for clients but we've not used pricing as a tool. We can offset the costs but we've not deliberately raised the prices to increase our operating profits.

Zuzanna Pusz: So, I guess that's the question, how much were you able to offset the costs this year?

Johann Rupert: We can easily absorb the costs because if it gets over 7%, 8%, we won't have the same governments in place, trust me. We have that price elasticity.

Jerôme Lambert: So, my message was we are not late with price composition in this case, so we don't have to absorb two years of delayed thing or what ever. Price-reflected costs are a reality.

Johann Rupert: Yes, that's right.

Cyrille Vigneron: So, we have increased our price in May, single digit, to offset the price, the cost of the gold, and also to rebalance the worldwide price because the euro is very low, dollar is very high and it creates some price imbalances. So, it's single digit and it's normal.

Zuzanna Pusz: Single digit for Cartier or for Jewellery Maison?

Nicolas Bos: Single digit for Van Cleef as well, depending on the countries, I think. No, it's not because most of our clients don't travel anymore, that we should give up with our fair-pricing policy. It requires discipline and the increases have been very different, and actually, there were higher increases in Europe than in other markets, where the exchange rates were more favourable.

Johann Rupert: Sorry, I think that, by the way, is what I tried to say less eloquently. Clients can't travel, so it would be unfair to price gorge people who can't travel. So, if you want your people to keep on loving you, like with Van Cleef, treat them fairly. Okay, Luca, now I'm fully braced.

Luca Solca: Luca Solca from Bernstein. My first question is, again, on operating leverage, so that I want to check that I understood correctly, because what I think is potentially mysterious in your accounts today is that you broadly grow the Jewellery Maison and the Specialist Watchmakers this year, by the same amount, approximately 50%. But, you increase your EBIT for the Specialist Watchmakers by more than 11 percentage points, and, quote, unquote, only by three odd percentage points for Jewellery Maison. Is the answer, in between the lines, that (inaudible 49.03) has been leveraged but you've been more cautious and absorbed a negative effect on gross margin because of the raw material price inflation that you experienced in the Jewellery Maison, connected to gold and precious stones and so on? Because this is even more mysterious when you take into account that the Jewellery Maisons are much more direct to consumer, so they should have an even higher operating leverage and fixed cost base in your directly operated stores. So, I think this is my first question. The second question relates to Russia. You were pointing out that you, sort of, wrote off costs, even beyond what you should have done.

Johann Rupert: Sorry, no, I didn't say that.

Luca Solca: No, sorry, I was misinterpreting maybe. So, you wrote off, you were prudent in writing off costs. How much more is there, if, by misfortunate situation, you had to stop operations altogether?

Burkhart Grund: Zero.

Johann Rupert: Zero.

Luca Solca: Zero, great, and then the third question, if I may, relates to YNAP. I would put the discussions you have with third-party partners to the side, not too interested in that. You took over this company a while ago. You've been running it for a number of years. How far are you, you think, from getting this online retail division not to produce a negative contribution to EBIT? Thank you.

Johann Rupert: Well, I think the last one, Burkhart said, excluding the development costs in China, it's neutral, it's EBITDA neutral.

Jérôme Lambert: It's the best EBITDA since the company was created.

Luca Solca: EBIT neutral as well for an EBIT viewpoint?

Jérôme Lambert: Well, EBITDA wasn't always a word that we used.

Burkhart Grund: Okay, Luca, let me just try to solve the mystery.

Johann Rupert: I'm going to be interested in listening to this as well. I've never heard it from the other side.

Burkhart Grund: It's not so mysterious, I would say.

Johann Rupert: No, I know, but I want to hear how you explain it to him, in contrast to how you explain it to me.

Burkhart Grund: Yes, I'll try to be aligned with that.

Johann Rupert: Yes, okay.

Burkhart Grund: Okay, so, basically, we're talking about two elements that explain the difference. One is the gross margin, which has a significantly different movement between one year and the other. Remember, last year we have, very quickly, rebounded on the Jewellery Maison side and have actually reverted from, let's say, the first half of the year, where we had a negative impact, a very strongly negative impact across the board in the manufacturing entities, which actually hit the Specialist Watchmakers very strongly and actually, throughout the entire year, the significantly negative impact on the last year's results, meaning the base for this year was Cartier, actually on the gross margin side, just had a very small remaining loss at the end of the year because they very strongly rebounded in manufacturing capacity utilisation, starting, basically, early summer of last year. So, their gross margin was basically not strongly impacted last year, which, from that basis, grew across both Maisons this year but to a much lesser extent than on the Specialist Watchmakers, who actually ended last year with a significant negative gross margin impact. Now, this year, that has completely reversed. Going into last fiscal year, we started, basically, at capacity and capacity utilisation, and actually are now short of not capacity per se but short of the human capacity, as the Chairman stated in the beginning, because it is difficult to train these watchmakers up so quickly to the level of quality that we require. So, there's a significant gross margin swing in there. The cost base has expanded slightly more in percentage compared to last year.

Johann Rupert: Oh sorry, if we could just say then, 'No more discounts in watches.'

Burkhart Grund: Yes. The cost base has expanded slightly more at the-,

Johann Rupert: Sorry, for instance, Lange has 0.5%, all that is the difference between you pay your deposit and you finally get your watch and the currency fluctuations. Now, that was not the case before, Vacheron the same but no, but I'm saying look at the car industry and then think with the watches. You know, when suddenly a 10% discount comes back, that's a huge swing.

Burkhart Grund: So, cost base has expanded slightly more at the Jewellery Maisons then at the watchmakers, then at the fashion accessories Maisons, and why is that? We've had, throughout the entire pandemic, the cycle where Cartier, Van Cleef, the Jewellery Maisons, rebounded first, meaning started their investment cycle or reinvestment cycle first, then the Watchmakers, then the Other Maisons. This has exactly been the same profile this year, so slightly higher cost expansion at eat Jewellery Maisons, followed by the Watchmakers, followed by the Fashion & Accessories Maisons, so it's that profile. In a nutshell, gross margin swing, much more important, yes, and the Watches and Wonders, that actually-,

Johann Rupert: I can't remember to tell them what you told me.

Jérôme Lambert: So, what did I tell you? No, but it's gross margin driven and then on the level behind it's a slightly lower reinvestment. Hope the mystery is solved.

Sophie Cagnard: Okay, let's move on to Rogerio.

Rogerio Fujimori: Thank you, this is Rogerio Fujimori from Stifel. I have one question perhaps for Cyrille and Nicolas, and another one for Burkhart. I think it was mentioned, that millennials and younger customers account for 65% of sales with Cartier, so I was just wondering, I think, with the banner year, if you could talk a little bit about the changes in terms of sales, customer mix, profile, anything about the contribution for growth that you saw from new customers buying for the first time versus existing customers? Also, basically, the contribution from high net worth individuals versus the upper middle class buying a Tank or a bijoux for the first time, and maybe an indication for marketing. Then for Burkhart, basically, just some thoughts in terms of fiscal 23 outlook, high level in terms of the key drivers for gross margin that we should think about in your CAPEX priorities and levels given, obviously, the uncertainty in macros and your priorities, how you're planning CAPEX for fiscal 23? Thank you.

Sophie Cagnard: Thank you, Rogerio.

Cyrille Vigneron: So, the part of having new customers in luxury I think is a constant for the whole industry. The luxury is growing because the wealth of the world is growing for the affluent middle class of the world, whether in the United States, China, Singapore, or now including Australia, Vietnam and so forth, we see in all countries some affluent customers coming up. So, this is not new, but we have to grow both to keep loyal customers and to grow for new ones, and so far we, I think, are doing that balance quite well. When we see they are younger, because the new affluent customers in countries like China, Middle East are younger compared to Europe, for instance, so that's just a fact. We see even in the United States, very young customers coming to our stores, which doesn't prevent also the metro customers to continue and to enjoy it. So, overall, we see that the percentage is growing to something younger, because the new markets are dominantly younger and first generation achievers, so that's just this point. So, I don't know if there was a concern on your question or not, it's just I think an evolution. Well, if you see the European trend, you know, where basically there were no Chinese groups coming, what you saw was basically local customers of all generations, they have been really, really happy to buy in our stores, and we can see this one as a loyal customer base as a whole, and they have come to us quite well. So, it's not only new customers from new countries, it's new customers from everywhere and also existing customers coming to us because they see the long term value. So, the balance is quite well, I think, in all price categories and in all generations.

Nicholas Bos: Yes, I fully agree, what I might add is on the different categories we mentioned last year that High Jewelry was probably the most hit, with the first year of the pandemic, with the absence of international gatherings, events and launches. This year it managed to come back to pre pandemic levels, meaning that we had the same type of attractive in very high net worth individuals, as well as more upper middle class buying more daywear pieces, which was not the case a year ago, so there is real come back. Regarding the renewal of clientele, interestingly, if I take the example of Japan, for instance, which we can consider a more mature market in terms of the imposition, for instance, of Van Cleef & Arpels, kind of, stable network, stable presence for nearly 50 years. We've seen in the last two years very, very strong growth of younger clientele, which is extremely interesting and reassuring because it's not about new clientele in the new country discovering the brand, it's really a new generation that's really attracted by the colours of the brand. Although we don't necessarily try to be, kind of, younger centric at Van Cleef & Arpels, we don't have celebrities, we don't have, you know, a metaverse and stuff, and yet we have 20 year olds, 25 year olds that really are ready to spend a couple of hours in line in front of a store to get a piece. So, that's quite, I think, a very, very good factor.

Cyrille Vigneron: Knowing that in Japan their wealth distribution and demography, it's not specifically a young country and we sold, so we had a high jewellery event in Kyoto we have been extremely successful at having young customers and also the mature ones. Japanese age very, very well, so it can last quite long.

Burkhart Grund: I think there was another question there on extracting guidance, right? I mean, CAPEX, you've seen we're at four and a half. We've been for quite a number of years, I would say levelling off, now with, I would say, a good state of the network. We've obviously, throughout the pandemic have-,

Johann Rupert: Tell him to relax, because you are keeping control with my full air cover.

Nicholas Bos: Yes, but no, I mean-,

Johann Rupert: It's, basically, we make sure that the guys don't go crazy, because if you had to allow some of the people on my right, and some of the people in the room, when they see free cash flow, they find ways to spend it, okay.

Nicholas Bos: Well, in their defense, they generate it as well, so, you know, Jerome, four to five is where we are and we're comfortable with that.

Johann Rupert: You're going to laugh, is this not, kind of, normal business? We will look, because I see them all the time, and I see all the products, and that's the key business, to see the future pipeline, that's the real business. To see what they plan a year from now, two years from now, and then having been in it with Alain, I mean, if you add it up, the people and the people around the table, it's well over 100 years. You, kind of, know what's going to sell and you get excited about some of the new products. Then, after a while, some of these people don't need-, like to have a T-shirt with Coach, or Babysitter on the back, because at some levels of companies' growth, you have Babysitter on the back, or Coach. With these people, I learn more from them, so for instance, a few years ago at the end of each meeting, I ask, 'Is there anything that you know that I don't?'

Burkhart Grund: Which is uncomfortable, as a question.

Johann Rupert: Okay, 'Is there anything that you know that's very important, that I should know?' In the beginning the guys would drive off and then somebody in the car would say, 'You know, we didn't discuss that,' and then they call my PA, 'Can we quickly come in?' Now, they speak open, everybody knows that question may come. I ask Nicolas, now, this is where I would drive Burkhart crazy. Now they're basically fine tuning their budget, okay. That means we look at the products, we look at the possibility and how they will sell, then we look at the margins and then we say, 'Right, we can't afford more than this in costs,' because that's what we can make. I think that pricing, it's not me only, it's a group of people, that's proper pricing, you do peer group pricing, and then I said to Nicolas, what would you do if I gave you another hundred million? Do you remember the question, Nicolas?

Nicholas Bos: Very well, it was okay, not too tricky.

Johann Rupert: Okay, so what did you say?

Nicholas Bos: No, I said that, you know, we would buy exceptional stones.

Johann Rupert: He said, 'Please could I have it?' Burkhart was, What's going on over here? I've set my budget, I see you've got it.' He went and bought exceptional stones and he turned it into 3 hundred, okay. So, it's not the exact business model, trust me when I tell you, more fiction is written on Microsoft Excel than on Microsoft Word. Let that sink in. The biggest fiction I've ever seen is written on Microsoft Excel. Remember, I used to write it by hand when I was doing credit at Chase Manhattan. I knew all these banks were going to get into trouble, because idiots like me were the credit handlers. Trust me, if somebody comes in with a PowerPoint and an Excel, and especially if they're very good at it, it's the questions that you can't see on the Microsoft Excel, those are the tricky ones. So, we can give you all the numbers, etc, but the real issue is, are we making products? Are we designing products and are we making products that in three to four years' time we think will sell at the right price, and right now? A few years ago, you will recall I had great concerns, I mean, I bet my finance director €1 000 per million operating profit, that he was wrong.

Burkhart Grund: Not me, yes?

Johann Rupert: No, no, it was Jan du Plessis, in the year 2000. We were sitting in September and they showed me the offers, I was telling them, 'You're out of your mind, it's going to be off that.' This was in Luxembourg, and now we're arguing. They said, 'It's that, has he gone mad?' To him and Alain, so, 100,000, 1,000 per million operating profit, Alain had to pay me in wine because he'd run out of cash. That was not me being smart, it was seeing the pipeline, and seeing a calm down in the market. This is why I can't really communicate, because we're betting that our taste is going to be in demand, I mean, that's really Nicolas and Cyrille. In Cartier they are both machines, if we hit the right product, it goes through the roof. These are both machines that have got the brand animal, and the reach, globally. I think that's really the issue, there are few brands in the world, I can say 8 or 10 that may be opposition on us, etc, that have got the brand equity, and the distribution reach, and the supply chain sorted out, and that's damned difficult. So, I don't know whether that answered your question. We should one day let one of them, they can pick one, come to a product committee day.

Sophie Cagnard: I'm going to have so many requests.

Johann Rupert: No, we have-, Wendy Luhabi I've known, she's the Director, I've known Wendy for, what, since 1983-84, she said to me, 'Could I attend a product committee meeting?' So, she came on a Tuesday, and she came out and her eyes were like that. 'Now I understand the business,' where every product has, you know, she said, 'Now I understand the business.' Where concepts and products are discussed and then how are we communicating it, that's the real business. So, what other questions?

Sophie Cagnard: Carole?

Johann Rupert: Sorry, Carole.

Carole Madjo: Hi, good morning. Carole Madjo, from Barclays. Two questions for me, please. The first one on watch making, so you mentioned at present, of course, there is a big risk around ubiquity.

Johann Rupert: Sorry?

Carole Madjo: A big risk on ubiquity, in the watch space.

Johann Rupert: Yes.

Carole Madjo: On the other side, do you actually see a small risk of losing out consumers because of the lack of supply? So, basically, how do you avoid the risk of alienating consumers who might not be able to find a watch as fast as they want to, to get one, basically.

Johann Rupert: You mean dealers?

Sophie Cagnard: For clients.

Johann Rupert: Clients.

Carole Madjo: Yes, the risk of losing out consumers because you don't have enough supply in the watch industry.

Johann Rupert: Well, you know, our clients, our Maisons where they have the watch, ask for deposits, the deposit. With 0% interest rates, these people put the deposits down, so we don't reserve a watch without a sizeable deposit, and then, you know, it's terrible, but the higher the price, the more the people want it.

Jerôme Lambert: When it comes to your point as well, you saw the DTCs, our Direct to Client percentage increasing.

Johann Rupert: Yes.

Jerôme Lambert: Which is as well, the best way to maintain relationships with the clients over time. The Chairman mentioned the extension of guarantees, which is also the opportunity to maintain for service, for contact, and it's a change in the business model in that you are no longer only somebody that is pushing a door on one single transaction and disappear. You become, I would say, you're enter in contact with the Maisons as never, so it has changed, I would say, thanks to DTC, it's another dimension.

Johann Rupert: Do you know what's also very interesting, and it's aligned with your question. The clients, especially during Covid, have taken a lot more time to narrow down their choice and studied, so that the conversion-, and this is far from-, it's nearly luxury new retail. They would be very well informed, they would understand exactly what they want to buy, and the conversion ratio in the stores picked up, just a lot more, in full. Male, female, everybody, and so they are pretty clear into their choice before, they don't come and ask for guidance as much as in the past.

Carole Madjo: Okay, very clear, thank you, and one last question.

Cyrille Vigneron: I can comment also on that as well.

Carole Madjo: Yes, happy to.

Cyrille Vigneron: So, the watch industry used to be very inert, and has been having a long time of adjustment, about 9 to 12 months. We have managed to make it to three months and to have a significant adjustment then in planning, capacity adjustment and response, to make it flexible, up to 50%, down to 50%, keeping full employment and having stock management in the middle that works. We have come to be super fast compared to other big competitors in that area, and that's why we have been able to adjust reasonably well, having the kind of attention that nothing, when all the stores will be empty and see our stock in our stores, in our dealers, they are pretty okay. On certain reference we are short, but not that much, do not have stores entirely empty as some can face in certain countries and for certain brands. So, don't underplay our ability to adjust our flexibility model in super high speed, super speed for watches. Watches are slower, naturally, than fashion, but this is fine.

Carole Madjo: Thank you very much, and the second question on jewellery, actually. In the longer term, when you think about the brand, Buccellati, which you acquired a few years ago, what is the potential of this brand, really, in a few years' time? How big can it become?

Johann Rupert: It's growing faster than we-, it's a year ahead of plan. Is that a good way of saying it?

Nicholas Bos: Exactly, I think there is, you know, no objective in numbers, I would say, definitely here to grow because there are only a handful of brands actually have a very, very specific distinctive style and a real history. Buccellati is one of these, still a bit of a secret brand, it's developing quite nicely, we've opened more stores. We've developed communication but at an organic pace. Yes, as the Chairman said, we're pretty much, you know, a year in advance compared to the plan we had when we acquired the brand, so it's going to take years, but it's going to grow quite nicely.

Cyrille Vigneron: Fortunately, we have a very strong manufacturing base in Italy, on which we invest massively. We're also very clean, environmentally friendly and we can co-operate with Buccellati to bring additional resource, especially in Milan. So, we co-operate quite well on that.

Sophie Cagnard: Thank you. Well, it's already two hours, so I guess we could-, the only thing, I was looking at the web, so the areas not covered, and some questions are very short answers. One of them is any guidance on A&P and explanation of increasing central costs, which is really relating to Russia, and then there is a question for you, Mr Rupert, so I'm just going to read it. It's an M&A question.

Johann Rupert: It's a what question?

Sophie Cagnard: M&A, mergers and acquisitions question.

Johann Rupert: Okay.

Sophie Cagnard: So-,

Johann Rupert: I hope it's not from an M&A lawyer that I've just insulted, okay.

Sophie Cagnard: No, no, it isn't.

Johann Rupert: I hope it's not from one of our own. Okay.

Sophie Cagnard: So, you are the top player in jewellery and watches, but you lack critical mass in leather and accessories. Your French competitors lack mass in jewellery and grabbed Tiffany.

Johann Rupert: God, here we go.

Sophie Cagnard: Should you not do the same, to back up the soft luxury and perhaps bring in a broader skill set, given your financial capacity?

Johann Rupert: It's from an M&A lawyer who has asked me this 10 times before, I guess. So, the answer is, I think we all understand now that we're not for sale. Francois, he's not for sale, and neither of us are for sale. So, the party that wants to buy everybody now knows we're not for sale.

Sophie Cagnard: Yes, I think it's clear.

Johann Rupert: Okay.

Sophie Cagnard: I think maybe it was if you were interested in a leather brand, but I think, outside this field.

Johann Rupert: We've got Delvaux, they were the originators, they designed the first handbag, and it is a beautiful business, truly beautiful business. You know, I'd also like to say thank you to my colleagues, for really caring for, for instance, the Ukrainians and for our people in Russia, after the invasion. I mean, there was a lady at Delvaux whose in laws were stuck in the Eastern Ukraine, 1991, we sent in people, bullet holes through the cars, got all the people out, you know. These are the stories we don't talk about, of the human suffering and the work that the people did. I'm bloody proud of the way they looked after their colleagues, really. I don't know when the madness is going to end, but we've budgeted for it, if I can give you that assurance. I'm a lot happier than I was five years ago, I mean, five years ago, before we started cleaning up the watch business and we were starting to invest, I pleaded with our fellow companies and my words got twisted, as usual. When I pleaded with our other big luxury goods companies that we should work together, and I said, 'This is a big boys' game.' It gets twisted into being sexist, that I want women out and men to run it, and big men. Now, either learn English and understand that when you say, 'A big boys' game,' you mean much bigger than us, you're fighting Amazon. This was quoted again by the business of fashion ladies, etc, as proof of how sexist, and people who work here will tell you that is not the truth, but that's why I'm loathe talking. It was in an off the cuff plea, and that stupid Jose didn't come up to me, because he was in the audience. Jose said to his wife, 'If they do it, I don't have a business.'

Four years later I meet with him, I said, 'Jose, why didn't you come? I was standing outside smoking with your wife. We went outside, why didn't you come along? We would have both saved a fortune. I would have gone 3P immediately, 'No, no, I was too shy.' I said, 'Please,' so, had he come in 2015 we wouldn't have advanced this long down in 1P, we wouldn't have been linear that long, that's the funny little incidences in life. Now we've met, we like each other, and you can do a blend of 1P and 3P, a hybrid model, but those little incidents are so-, when you ask me planning, this, this and that, you bump into somebody in an elevator and the course can change, as long as you've got the flexibility. The other thing, my biggest pleasure is Watches and Wonders-, sorry, is Homo Faber. Homo Faber is my biggest pleasure, and I didn't see any of you there. That's the future of luxury, true luxury, the craftsmanship of the ladies and the men, the quality of the work. That's Europe's advantage, and we built our businesses on those people, true artisans and craftsmen, and it's a dying breed. We want to, in the next two or three years, connect them with clients, to give the craftsmen and women face, in front of their children, and to create a bridge with the clients. The stuff they make there, it's mind boggling. The lace work, the true artisanal skills, that is true luxury, going and seeing them. So, I would rather, if you want to come here next year, I would suggest that you go to the Homo Faber, because we'll stamp your ticket at Homo Faber, and then you come and talk luxury, because that's where I learned. It's astonishing what these people are doing, and they create jobs.

Sophie Cagnard: Thank you. That concludes this session. Thank you all. Thank you all for watching us. Good Bye.