Financial review

in €m	2020	2019	% change
Sales	**14 238**	13 989	+2%
Cost of sales	**(5 627)**	(5 344)	
Gross profit	**8 611**	8 645	-0%
Net operating expenses	**(7 093)**	(6 702)	+6%
Operating profit	**1 518**	1 943	-22%
Net financial (costs)/income	**(337)**	(183)	
Share of post-tax results of equity-accounted investments	**17**	1 408	
Profit before taxation	**1 198**	3 168	-62%
Taxation	**(267)**	(381)	-30%
Profit for the year	**931**	2 787	-67%
Analysed as follows:			
Attributable to owners of the parent company	**933**	2 784	
Attributable to non-controlling interests	**(2)**	3	
Profit for the year	**931**	2 787	-67%
Earnings per share – diluted basis	**€ 1.646**	€ 4.927	-67%

Online Distributors' results for the prior year period included 11 months for YOOX NET-A-PORTER GROUP ('YNAP') and 10 months for Watchfinder & Co. ('Watchfinder').

Any references to Hong Kong, Macau and Taiwan within this financial review are to Hong Kong SAR, China; Macau SAR, China; and Taiwan, China respectively.

Sales

Sales for the year increased by 2% at actual exchange rates and were broadly in line at constant exchange rates, having progressed by 8% and 5% respectively for the nine months ended 31 December 2019. The significant disruption caused by the worldwide outbreak of the Covid-19 pandemic weighed on fourth quarter sales, which declined by 18% at actual exchange rates and by 19% at constant exchange rates. Excluding Online Distributors, sales for the year decreased by 3% at constant exchange rates and by 1% at actual rates.

At actual exchange rates, sales for the year were higher or stable in most regions. Mid-single digit sales increases in Europe and Japan and double digit sales growth in the Americas more than offset a mid-single digit sales decline in Asia Pacific, which was largely attributable to the street protests experienced in Hong Kong for most of the year and the outbreak of the Covid-19 pandemic in the fourth quarter.

At actual exchange rates, sales in the Group's directly operated boutiques were in line with the prior year, delivering a 7% increase in the first nine months of the financial year, supported by the Jewellery Maisons. The 4% decrease in wholesale sales reflected temporary store closures at retail partners in the fourth quarter of the year as well as tight management of inventories and qualitative improvements to our external points of sale. Online sales grew strongly across all business areas.

Overall, sales growth was driven by Jewellery Maisons and Online Distributors.

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

Gross profit

At € 8 611 million, gross profit was in line with the prior year. Gross margin moderated to 60.5% compared to 61.8% a year ago, due mainly to higher gold prices, lower utilisation of manufacturing capacity and continuing competitive pricing environment in online fashion.

Operating profit

Operating profit decreased by 22% to € 1 518 million, leading to an operating margin of 10.7% compared to 13.9% a year ago. This reduction is partly due to net operating expenses increasing by 6%, above the 2% sales growth, given the time lag between temporary store closures and cost reduction measures taking effect.

Growth in selling and distribution expenses was limited to 2%, including the adoption of IFRS 16, *Leases*. Communication expenses rose by 6% to represent 9.9% of Group sales, including charges related to only partly refundable cancelled campaigns and events, such as Watches & Wonders Geneva in April 2020. Fulfilment expenses of € 352 million were recorded across the Group's e-commerce activities, primarily at Online Distributors.

Administrative expenses grew by 10%, mainly driven by a stronger Swiss franc, continued expenditure in IT and digital initiatives at the Online Distributors and the Group's Maisons. Other operating expenses of € 254 million included the impact of the amortisation of intangibles recognised on acquisitions, primarily related to Online Distributors and Buccellati, as well as impairment charges of € 45 million.

Profit for the year

Profit for the year declined by 67% to € 931 million. This decrease reflected the non-recurrence of last year's € 1 378 million post-tax non-cash accounting gain on the revaluation of the YNAP shares held prior to the tender offer. Excluding this amount, profit for the year was down 34%, due to the 22% decline in operating profit and the 84% increase in net finance costs. At € 337 million, net finance costs were € 154 million higher than the prior year, as a result of a € 233 million increase in net foreign exchange losses on monetary items and the adoption of IFRS 16, *Leases*. This was partly mitigated by a € 44 million gain on hedging activities compared to a € 112 million loss in the prior year.

Earnings per share (1 'A' share/10 'B' shares) decreased by 67% to € 1.646 on a diluted basis.

To comply with the South African practice of providing headline earnings per share ('HEPS') data, the relevant figure for headline earnings for the year ended 31 March 2020 was € 984 million (2019: € 1 467 million). Basic HEPS for the year was € 1.742 (2019: € 2.600), diluted HEPS for the year was € 1.736 (2019: € 2.596). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 29.3 of the Group's consolidated financial statements.

Cash flow

At € 2 797 million, cash flow generated from operating activities was € 466 million higher than last year. The improvement reflected a € 327 million reduction in working capital requirements, primarily related to a lower increase in inventories and lower trade receivables as a consequence of reduced wholesale orders, particularly in the fourth quarter.

Net investment in tangible fixed assets amounted to € 568 million. This predominantly reflected investments in the renovation and relocation of existing boutiques in the Maisons' store network, and continued investments in IT systems, notably at the Online Distributors.

The 2019 dividend of 2.00 per share (1 'A' share/10 'B' shares) was paid to shareholders and to South African Depository Receipt holders, net of withholding tax, in September 2019. The overall dividend cash outflow in the period amounted to € 1 017 million (2018: € 926 million).

During the year under review, the Group did not acquire any treasury shares to hedge executive stock options. Proceeds from the exercise of stock options by executives and other activities related to the hedging programme amounted to a net cash inflow of € 13 million.

Balance sheet

At 31 March 2020, inventories amounted to € 6 658 million (2019: € 6 186 million). The € 472 million increase compares to the € 1 243 million increase in the prior year following the acquisition of the Online Distributors. Inventories represented 17.8 months of cost of sales, broadly in line with prior year (2019: 17.7 months).

At 31 March 2020, the Group's net cash position amounted to € 2 395 million (2019: € 2 528 million). The decrease versus the prior year can be attributed to slower sales in the fourth quarter due to temporary store and distribution centre closures as well as the completion of the Buccellati acquisition (€ 230 million). The Group's net cash position includes highly liquid, highly rated money market funds, short-term bank deposits and short-duration bond funds, primarily denominated in Swiss francs, euros and US dollars.

Shareholders' equity represented 57% of total equity and liabilities compared to 61% in the prior year.

Acquisition of Buccellati

On 26 September 2019, Richemont completed the acquisition of Buccellati Holding Italia S.p.A., the owner of Buccellati, the renowned Italian jewellery Maison, for a total consideration of € 230 million. In addition, € 7 million of acquisition-related transaction costs were expensed in the year. Buccellati's results are consolidated within the Jewellery Maisons with effect from 30 September 2019.

The completion of the Buccellati acquisition has resulted in the recognition of € 103 million in goodwill, which is subject to annual impairment testing. In addition, intangible assets amounting to € 108 million were recognised following completion of the provisional acquisition accounting.

Proposed dividend

The Board has proposed a dividend of CHF 1.00 per 'A' share/10 'B' shares.

The dividend will be paid as follows:

	Gross dividend per 1'A' share/ 10 'B' shares	Swiss withholding tax @ 35%	Net payable per 1'A' share/ 10 'B' shares
Dividend	CHF 1.00	CHF 0.35	CHF 0.65

The dividend will be payable following the annual general meeting which is scheduled to take place in Geneva on Wednesday, 9 September 2020.

The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Tuesday, 15 September 2020. Both will trade ex-dividend from Wednesday, 16 September 2020.

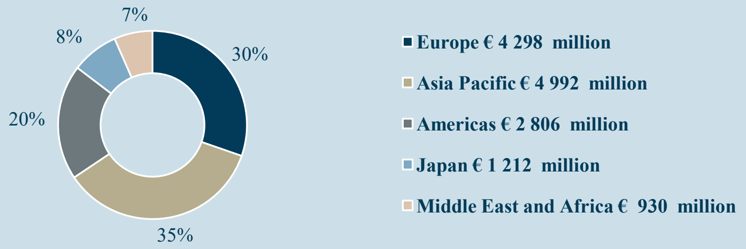
The dividend on the Compagnie Financière Richemont SA 'A' shares will be paid on Friday 18 September. The dividend in respect of the 'A' shares is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Wednesday 23 September 2020. The South African Depository Receipt dividend is payable in rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in Swiss francs to non-CMA residents. Further details regarding the dividend payable to South African Depository Receipt holders may be found in a separate announcement dated 15 May 2020 on SENS, the Johannesburg Stock Exchange news service.

Covid-19 has had significant effects on global public health and economies. While the Board is unable to determine when these effects will subside, the Board believes that these effects will subside. The Board has determined that the dividend reduction is prudent in the current environment to preserve maximum liquidity in the short term. In order to reward loyal and long-term shareholders, the Board is studying an equity-based loyalty scheme to award to shareholders as a supplementary benefit in addition to the CHF1.00 cash payment in order to capture any ultimate improvement in global conditions. This scheme will be announced prior to the publishing of the AGM notice.

Review of operations

Sales by region



in €m	2020	2019	Constant exchange rates*	Actual exchange rates
Europe	**4 298**	4 118	+4%	+4%
Asia Pacific	**4 992**	5 243	-6%	-5%
Americas	**2 806**	2 551	+6%	+10%
Japan	**1 212**	1 148	-1%	+6%
Middle East and Africa	**930**	929	-3%	0%
	14 238	13 989	0%	+2%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2019.

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

Europe

Sales in Europe grew by 4%, and by 1% excluding Online Distributors.

Performance was varied in terms of markets and channels depending on the timing and scale of lockdown measures in each market. Double digit growth in the UK more than offset lower sales in France where social unrest and strikes led to temporary store closures and reduced tourist spending. A number of distribution centres were closed in the quarter and, from mid-March 2020, all our European stores, except in Russia, were closed. In the fourth quarter of the year, sales declined by 10%.

Wholesale sales decreased by mid-single digits while retail sales grew by mid-single digits, and online retail recorded a double digit sales increase. Sales growth was driven by Online Distributors and the Jewellery Maisons, the latter benefiting from the consolidation of Buccellati on 30 September 2019.

Europe remained our second largest region, accounting for 30% of Group sales compared to 29% a year ago.

Asia Pacific

Sales in Asia Pacific declined by 6%, and by 7% excluding Online Distributors.

Double digit growth in China and Korea was more than offset by a 40% decline in sales in Hong Kong, where sales had been affected by six months of street protests.

Sales contracted in the retail and wholesale channels and grew strongly in the online retail channel. All business areas registered lower sales, except Online Distributors, which posted double digit growth.

In the fourth quarter of the year, the region was impacted by the outbreak of the Covid-19 pandemic with overall sales decreasing by 37%.

Asia Pacific accounted for the largest share of Group sales at 35%, down from 38% in the prior year.

Americas

Sales in the Americas grew by 6%, and by 2% excluding Online Distributors. In the fourth quarter of the year, sales increased by 6%.

Higher retail sales, both online and offline, more than offset lower wholesale sales. Most business areas posted growth, led by strong double digit sales increases at the Online Distributors and, to a lesser extent, at the Other business area.

The region's contribution to Group sales rose to 20% from 18% in the prior year.

Japan

Sales in Japan were 1% lower, and broadly in line excluding Online Distributors, as the relative strength of the Japanese yen, the October 2019 value-added tax increase and the Covid-19 outbreak all weighed on demand. In the fourth quarter of the year, sales declined by 21%.

All channels recorded growth or a slight decline compared to the prior year. The Specialist Watchmakers posted a good performance, while sales were stable at the Jewellery Maisons and decreased in the other business areas.

Japan accounted for 8% of Group sales, in line with the prior year.

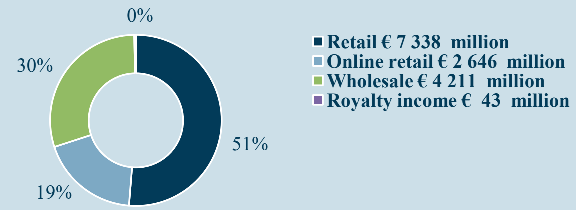
Middle East and Africa

Sales in the Middle East and Africa decreased by 3%, and by 6% excluding Online Distributors. In the fourth quarter of the year, sales declined by 12%.

The discontinuation of selected wholesale relationships and continued unsupportive environment affected all business areas apart from the Online Distributors which showed strong growth. In terms of distribution channels, retail sales were in line with the prior year, while wholesale sales declined and online retail sales rose sharply.

The contribution of Middle East and Africa to Group sales was maintained at 7% of Group sales.

Sales by distribution channel



in €m	2020	2019	Constant exchange rates*	Actual exchange rates
Retail	**7 338**	7 320	-2%	0%
Online retail	**2 646**	2 262	+14%	+17%
Wholesale	**4 211**	4 368	-5%	-4%
Royalty income	**43**	39	+8%	+10%
	14 238	13 989	0%	+2%

* Movements at constant exchange rates are calculated by translating underlying sales in local currencies into euros in both the current year and the comparative year at the average exchange rates applicable for the financial year ended 31 March 2019.

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

Retail

The 2% decrease in retail sales can be explained by temporary store closures due to social unrest in Hong Kong and France, as well as the impact of the Covid-19 pandemic from the end of January 2020 onwards. At the end of the fourth quarter, 43% of our stores were closed. Most of our stores in China reopened in the month of March.

Higher sales in Europe and the Americas partly mitigated lower or stable sales in the other regions. Retail sales increased at the Online Distributors and were stable at the Jewellery Maisons.

The Maisons' 1 175 directly operated boutiques contributed 51% of Group sales, compared to 53% in the prior year.

Online retail

Online retail generated strong double digit sales growth from Our Maisons™ and Online Distributors across almost all regions.

As a result, the share of online retail increased from 16% a year ago to 19% of Group sales, including the full-year effect of Online Distributors.

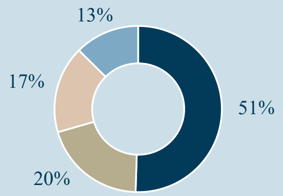
Wholesale

The Group's wholesale business posted a 5% sales decrease.

Growth in Japan was more than offset by declines in other regions. Temporary closures of the stores of our franchise partners and multi-brand retail partners, due to social unrest in some locations and the global Covid-19 outbreak in the last quarter of the financial year, led to lower wholesale sales in all our business areas. At the Specialist Watchmakers, the continued focus on aligning sell-in with sell-out and the qualitative optimisation of the watch wholesale network also weighed on sales.

The contribution of the Group's wholesale channel accounted for 30% of Group sales.

Sales and operating results by segment



Jewellery Maisons

in €m	2020	2019	Change
Sales	**7 217**	7 083	+2%
Operating results	**2 077**	2 229	-7%
Operating margin	**28.8%**	31.5%	-270 bps

At actual exchange rates, sales grew by 2% with positive retail sales and strong online sales, in part driven by the opening of the Cartier flagship store on Tmall Luxury Pavilion in January 2020. Jewellery sales were higher and watch sales moderately lower over the prior year, particularly impacted by protests in Hong Kong and the Covid-19 outbreak. Cartier and Van Cleef & Arpels benefited from the continued appeal of their iconic jewellery collections, particularly *Juste un Clou* and *Perlée*, and the new *Clash de Cartier* collection. Watch sales drew on the success of the rejuvenated *Baignoire* and *Santos de Cartier* and Van Cleef & Arpels' *Alhambra* collections. Buccellati has performed well since its integration on 30 September 2019, notably with its emblematic *Macri* collection.

Mid to high-single digit sales growth in the Americas, Europe and Japan more than offset a contraction in Asia Pacific.

Operating results decreased by 7% compared to the prior year, reflecting muted sales growth, higher gold prices and a modest increase in costs, as the Jewellery Maisons invested in store renovations and digital, data-driven communication initiatives. These investments included the renovation of the Van Cleef & Arpels store in Los Angeles Rodeo Drive as well as the relocation of the Cartier boutique in China World Beijing. Operating margin was down 270 basis points to 28.8%.

Specialist Watchmakers

in €m	2020	2019 re-presented*	Change
Sales	**2 859**	2 980	-4%
Operating results	**304**	381	-20%
Operating margin	**10.6%**	12.8%	-220 bps

* Prior year comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets made on acquisitions.

The 4% decline in Specialist Watchmakers' sales reflected a challenging environment, initially in Hong Kong due to the street protests, and thereafter in all markets with the spread of Covid-19. Regionally, performance was varied, with Japan and the Americas showing positive performances. Retail and wholesale sales contracted, notwithstanding notable performances from Panerai with the new *Submersible Carbotech* and A Lange & Söhne with the anniversary editions of *Lange 1*.

Lower sales, higher gold prices and a stronger Swiss franc, partially mitigated by a stronger US dollar and strict cost control, led to a 20% decrease in operating results to € 304 million. As a result, operating margin decreased by 220 basis points to 10.6%.

Online Distributors

in €m	2020	2019 re-presented*	Change
Sales	**2 427**	2 105	+15%
Operating results	**(241)**	(99)	-143%
Operating margin	**-9.9%**	**-4.7%**	-520 bps

* Prior year comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets and inventory adjustments made on acquisitions

The comparative period includes sales for YOOX NET-A-PORTER GROUP ('YNAP') and Watchfinder & Co. ('Watchfinder') from 1 May and 1 June 2018, respectively.

With sales up 15%, Online Distributors recorded a double digit increase in almost all regions led by the Americas. At YNAP, all business lines posted double digit growth. The NET-A-PORTER flagship store on Tmall Luxury Pavilion continues to build momentum. Watchfinder has successfully pursued its international expansion strategy and is now present in France, Switzerland, Germany, US and Hong Kong.

Online Distributors recorded a € 241 million operating loss due to a highly competitive pricing environment at YNAP, international expansion investments at Watchfinder and increased investments in information technology, mostly linked to MR PORTER's and more recently NET-A-PORTER's global technology and logistics platform migration. Results in the fourth quarter were also impacted by the temporary closures of distribution centres due to the Covid-19 outbreak.

Other

in €m	2020	2019 re-presented*	Change
Sales	**1 788**	1 881	-5%
Operating results	**(141)**	(95)	-48%
Operating margin	**-7.9%**	-5.1%	-280 bps

* Prior year comparatives have been re-presented following a change in the presentation of the amortisation of intangible assets made on acquisitions.

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

Sales for the Other business area were 5% lower than the prior year. Growth in the Americas was offset by declines in other regions, particularly in Asia Pacific due to impacts previously discussed. Retail sales were lower although dunhill and Montblanc showed resilience with increases in most regions. Online sales grew strongly, driven by Montblanc and Peter Millar. Online sales now account for 9% of total sales compared to 5% a year ago.

In the year under review, operating losses of € 141 million included a € 45 million charge in relation to impairment of tangible assets at Alaïa, dunhill and Purdey (FY19: € 58 million net one-time charges).

Valuation adjustments on acquisitions

in €m	2020	2019	Change
Valuation adjustments on acquisitions	**(196)**	(173)	+13%

The amortisation of intangible assets and inventory adjustments made on acquisition are no longer shown in the operating results for the respective segments. This enables the operating results of each segment to better reflect its operational performance. This change primarily impacts the Online Distributors, and results in a reduction of losses for that segment of € 165 million for the prior year. Current year expense amounts to € 181 million.

Corporate costs

in €m	2020	2019	Change
Corporate costs	**(283)**	(302)	-6%
Central support services	**(249)**	(245)	+2%
Other operating expense, net	**(34)**	(57)	-40%

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central functions), as well as other expenses and income that are not allocated to specific business areas. The majority of corporate costs are incurred in Switzerland. The decline in other operating expenses is largely due to lower transaction costs relating to portfolio investments. Corporate costs represented less than 2% of Group sales.

The Group's consolidated financial statements of comprehensive income, cash flows and financial position are presented in Appendix 1. Richemont's audited consolidated financial statements for the year may be found on the Group's website at www.richemont.com/annual-report

Jérôme Lambert
Chief Executive Officer

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