

# Financial review

in €m	2021	2020	% change
Sales	<b>13 144</b>	14 238	-8%
Cost of sales	<b>(5 283)</b>	(5 627)	
Gross profit	<b>7 861</b>	8 611	-9%
Net operating expenses	<b>(6 383)</b>	(7 093)	-10%
Operating profit	<b>1 478</b>	1 518	-3%
Net financial income/(costs)	<b>25</b>	(337)	
Share of post-tax results of equity-accounted investments	<b>12</b>	17	
Profit before taxation	<b>1 515</b>	1 198	+26%
Taxation	<b>(226)</b>	(267)	-15%
Profit for the year	<b>1 289</b>	931	+38%
<i>Analysed as follows:</i>			
Attributable to owners of the parent company	<b>1 301</b>	933	
Attributable to non-controlling interests	<b>(12)</b>	(2)	
Profit for the year	<b>1 289</b>	931	+38%
Earnings per share – diluted basis	<b>€ 2.296</b>	€ 1.646	+39%

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

## Sales

Richemont has reported a strong performance in exceptional circumstances. Due to closures of points of sales, logistics centres and manufacturing sites, as well as the halt in international tourism resulting from the Covid-19 pandemic, sales contracted by 26% at actual exchange rates and by 25% at constant exchange rates in the first half of the financial year. As initial lockdown measures began to ease, the Group's Maisons and businesses demonstrated remarkable agility and resilience to adapt to clients' demands, with sales growing by 12% and by 17% at actual and constant exchange rates, respectively, in the second half of the financial year compared to the same period in the prior year. In the fourth quarter of the financial year, sales increased by 30% and 36% year-on-year at actual and constant exchange rates, respectively. Overall, the decline in sales for the year was contained to 8% at actual exchange rates and to 5% at constant exchange rates.

At actual exchange rates, sales in the Middle East and Africa were broadly in line with the prior year. Double-digit sales progression in Asia Pacific, fuelled by mainland China's triple-digits increase in sales, mitigated the decline in other regions.

Online retail sales grew by 6% for the year, supported by triple-digit increases at our Maisons, emphasising the success of the Group's ongoing digital transformation. Sales in the Group's directly operated boutiques were broadly in line with the prior year and showed growth at constant exchange rates, demonstrating our Maisons' ability to overcome widespread temporary closures. The pronounced 27% decrease in wholesale sales reflected exposure to travel retail, as well as multi-brand retailers' lower exposure to online retail and relatively longer temporary store closures in Europe versus other regions.

The Jewellery Maisons sales exceeded pre-Covid levels with 3% growth, highlighting the continued strength of Cartier and Van Cleef & Arpels. The other business areas experienced a decline in

sales for the full year, with all business areas returning to growth in the latter part of the year.

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

## Gross profit

At € 7 861 million, gross profit was 9% lower than the prior year, and gross margin stood at 59.8% of sales. The 70 basis point reduction in gross margin is mainly due to lower levels of manufacturing capacity utilisation, the impact of a stronger Swiss franc on costs, higher gold prices and a higher sales mix towards locations with relatively higher import duties, such as mainland China.

## Operating profit

Operating margin increased to 11.2% compared to 10.7% a year ago with operating profit being 3% lower to € 1 478 million. This 50 basis point margin improvement reflects tight control of net operating expenses, which decreased by 10% and outpaced the rate of sales decline. The Group also benefited, albeit to a lesser extent, from short-time work subsidies, government grants and rent relief, all directly linked to Covid-19 relief measures.

Selling and distribution expenses declined by 8%, in line with sales. Stringent cost management and the aforementioned rent relief and subsidies more than offset higher depreciation linked to capital investments in prior years. Communication expenses, down 27%, contracted sharply, partly due to the cancellation of physical events, and represented 7.8% of Group sales, down from 9.9% in the prior year. Fulfilment expenses of € 356 million, recorded across the Group's e-commerce activities, primarily at the Online Distributors, grew by 1%. Administrative expenses decreased by 5%, despite a stronger Swiss franc and continued expenditure in IT and digital, notably in 'new retail' initiatives. Excluding short-time work subsidies and government grants, administrative expenses declined by 2%. Other operating expenses of € 272 million included the impact of the amortisation of intangibles recognised on acquisitions, primarily relating to the Online Distributors and Buccellati.

## Profit for the year

Profit for the year increased by 38% to € 1 289 million. This € 358 million increase included a € 294 million reversal in net foreign exchange losses on monetary items and a € 255 million improvement in the fair value of financial instruments, both of these items unrealised and non-cash effected at 31 March 2021. Earnings per share (1 'A' share/10 'B' shares) increased by 39% to € 2.296 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 2021 was € 1 316 million (2020: € 984 million). Basic HEPS for the year was € 2.328 (2020: € 1.742), diluted HEPS for the year was € 2.322 (2020: € 1.736). Further details regarding earnings per share and HEPS, including an itemised reconciliation, may be found in note 30.3 of the Group's consolidated financial statements.

## Cash flow

At € 3 218 million, cash flow generated from operating activities was € 848 million higher than last year due to a resilient operating profit and strict cash protection measures. Reductions in inventory and increased creditor balances, partially offset by an increase in receivables, resulted in an inflow from working capital of € 529 million.

Net investment in tangible fixed assets amounted to € 372 million, a € 196 million reduction over the prior year. Investments primarily related to the selective renovation and relocation of existing boutiques in the Maisons' store network and continued investments in technology, primarily at the Online Distributors.

The 2020 dividend of 1.00 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 2020. The overall dividend cash outflow in the period amounted to € 529 million (2019: € 1 017 million).

During the year under review, the Group did not acquire any treasury shares to hedge executive share options. However, within the framework of the 2020 equity-based shareholder loyalty scheme, the Group received 17.8 million warrants (see note 31.2) at no cost in respect of treasury shares held on the date of issue and purchased a further 89.0 million warrants at a total cost of € 15 million (2020: € nil). These warrants will be used, together with the treasury shares, to provide a comprehensive hedge of the Group's potential obligations arising from its share option and restricted share unit plans. Proceeds from the exercise of share options by executives and other activities related to the hedging programme amounted to a net cash inflow of € 32 million (2020: € 13 million).

## Balance sheet

At 31 March 2021, inventories amounted to € 6 319 million, a € 339 million decline over the prior year (2020: € 6 658 million). Inventories represented 18.3 months of cost of sales (2020: 17.8 months).

At 31 March 2021, the Group's net cash position rose to € 3 393 million (2020: € 2 395 million). The € 998 million improvement versus the prior year can be attributed to the significant € 848 million increase in cash flow from operating activities and a € 184 million reduction in investment in tangible fixed assets. This improvement more than compensated for the € 253 million (US\$ 300 million) investment in convertible notes issued by Farfetch, as announced on 5 November 2020. The Group's net cash position included 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 51% of total equity and liabilities compared to 57% in the prior year.

## Proposed dividend

In view of the Group's strong results and improving economic environment, the Board has proposed a dividend of CHF 2.00 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 2.00	CHF 0.70	CHF 1.30

The dividend will be payable following the annual general meeting, which is scheduled to take place in Geneva on Wednesday 8 September 2021.

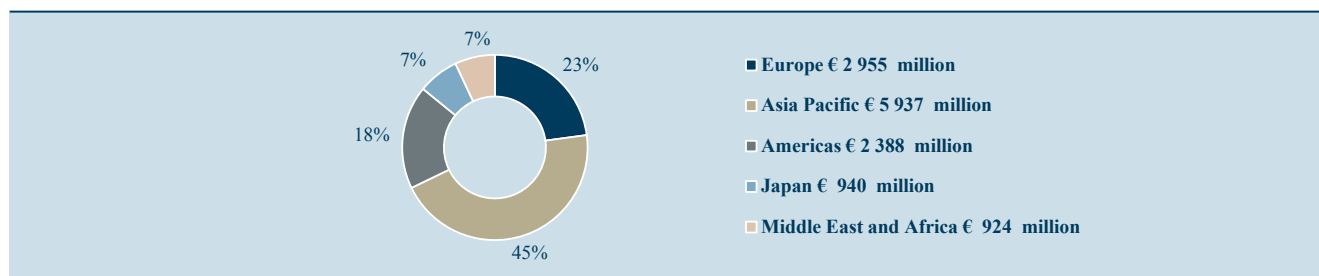
The last day to trade Richemont 'A' shares and Richemont South African Depository Receipts cum-dividend will be Monday 20 September 2021. Both will trade ex-dividend from Tuesday 21 September 2021.

The dividend on the Compagnie Financière Richemont SA 'A' shares will be paid on Thursday 23 September 2021 and is payable in Swiss francs.

The dividend in respect of Richemont South African Depository Receipts will be payable on Wednesday 29 September 2021 and 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 Friday 21 May 2021 on SENS, the Johannesburg Stock Exchange news service.

# Review of operations

## Sales by region



in €m	2021	2020	Constant exchange rates*	Actual exchange rates
Europe	<b>2 955</b>	4 298	-30%	-31%
Asia Pacific	<b>5 937</b>	4 992	+22%	+19%
Americas	<b>2 388</b>	2 806	-10%	-15%
Japan	<b>940</b>	1 212	-21%	-22%
Middle East and Africa	<b>924</b>	930	+4%	-1%
	<b>13 144</b>	14 238	-5%	-8%

\* 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 2020.

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, down 30%, were the most severely impacted by the pandemic, given travel restrictions, curfews and the temporary closures of stores as well as a number of distribution centres in the first quarter of the financial year. The region also suffered from a halt in tourism, only partially mitigated by increased spending from domestic clientele. All main markets excluding Russia recorded double-digit declines.

However, in the final quarter of the financial year, the year-on-year decrease in sales was limited to 7%.

Excluding Online Distributors, the Maisons' online retail sales grew by triple-digits. Overall, online retail recorded a single-digit sales increase, partially mitigating double-digit sales declines in the wholesale and retail channels. All business areas recorded lower sales.

Europe's contribution to Group sales declined from 30% a year ago to 23%. It remained the Group's second largest region after Asia Pacific.

### Asia Pacific

Asia Pacific enjoyed the best performance of all regions, with sales increasing by 22%, with three consecutive quarters of growth during the fiscal year and a 106% increase in the final quarter of the financial year.

While the region was the first to suffer from the outbreak of Covid-19, it was also the first to see sales rebound sharply as early as May 2020 in mainland China. Triple-digit sales growth in mainland China more than offset declines in locations affected by a halt in

tourism, notably Hong Kong SAR and South Korea. Mainland China benefited from the repatriation of previously outbound tourist demand and increased domestic spending.

Strong double-digit sales growth in the retail and online retail channels more than offset slightly lower sales in the wholesale channel. The Jewellery Maisons and Specialist Watchmakers both posted double-digit sales growth in the region for the full year.

Asia Pacific accounted for the largest share of Group sales at 45%, a notable increase from 35% in the prior year, reflecting the region's relative outperformance.

### Americas

Sales in the Americas declined by 10%, reflecting the aforementioned pandemic-related factors, primarily in the first quarter of the financial year. However, the region then benefited from three consecutive quarters of improvement, with 21% growth in the fourth quarter of the financial year.

Good growth in online retail sales could not compensate for sales declines in the other channels. Among our business areas, the Jewellery Maisons posted growth.

The region contributed 18% of Group sales compared to 20% in the prior year.

### Japan

Sales in Japan decreased by 21% due to the Covid-19 pandemic and its resulting impact on trading conditions. However, in the third quarter of the financial year sales turned positive, with 15% growth in the fourth quarter.

Sales grew strongly in the online retail channel but contracted in the other channels. All business areas registered lower sales.

Japan accounted for 7% of Group sales, broadly in line with the prior year.

### Middle East and Africa

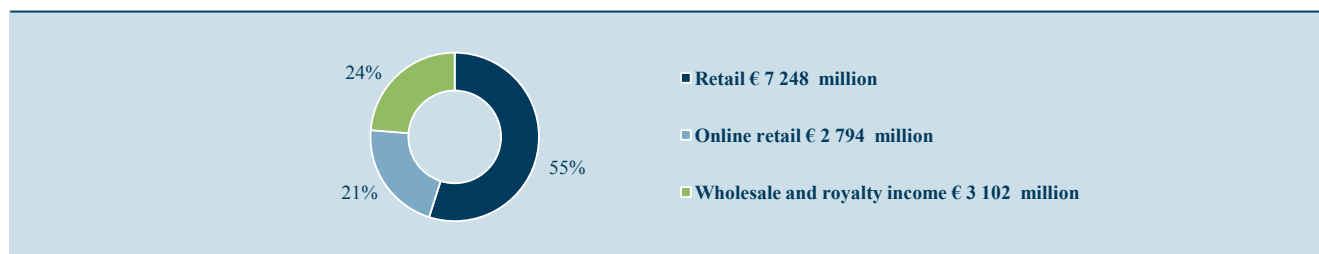
Sales in the Middle East and Africa increased by 4% for the financial year. The region benefited from the return of international tourism in the second half, a repatriation of sales from some locations with travel restrictions, the internalisation of the Jewellery

Maisons' operations in Saudi Arabia and the development of the Maisons' online offer.

Robust growth in retail and online retail sales more than offset lower wholesale sales. Equally, double-digit increases at the Jewellery Maisons and Online Distributors more than compensated for lower sales in the other business areas.

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

## Sales by distribution channel



in €m	2021	2020	Constant exchange rates*	Actual exchange rates
Retail	<b>7 248</b>	7 338	+2%	-1%
Online retail	<b>2 794</b>	2 646	+9%	+6%
Wholesale and royalty income	<b>3 102</b>	4 254	-25%	-27%
	<b>13 144</b>	14 238	-5%	-8%

\* 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 2020.

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

### Retail

Retail sales grew by 2%, driven by high single-digit growth at the Jewellery Maisons in an environment affected by recurring periods of store closures due to the Covid-19 pandemic. Fourth quarter sales saw a remarkable rebound with 62% growth year-on-year, partly due to less demanding comparatives, and 22% growth compared to 2019.

Strong sales in Asia Pacific and the Middle East and Africa more than compensated for lower sales in the other regions.

Overall, the Maisons' 1 190 directly operated boutiques increased their contribution to Group sales from 51% in the prior financial year to 55% in this financial year.

### Online retail

Online retail generated 9% sales growth from Group Maisons and Online Distributors, with increases across all regions. In the fourth quarter of the financial year, sales rose by 22%, partly supported by new flagship stores on Alibaba's Tmall Luxury Pavilion.

Online retail sales at our Maisons recorded triple-digit growth, driven by the Jewellery Maisons and Specialist Watchmakers. They accounted for 7% of Group sales excluding Online Distributors. Overall, the share of online retail rose to 21% of Group sales from 19% a year ago.

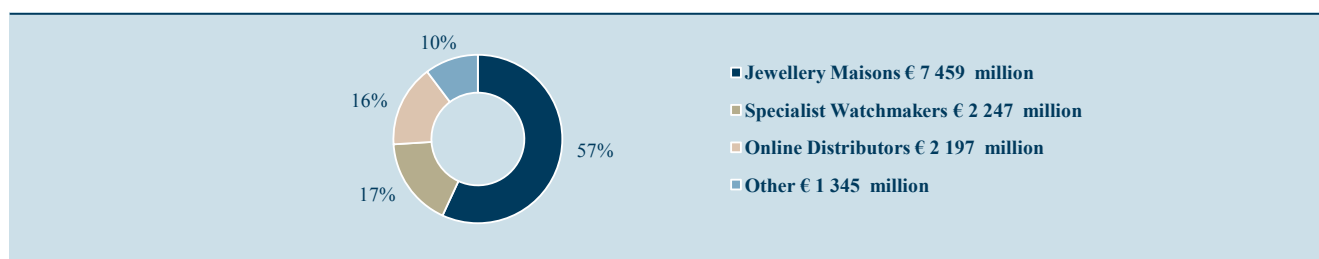
### Wholesale

The Group's wholesale sales decreased by 25%, with fourth quarter sales up by 1% year-on-year.

Sales declined in all regions, although the contraction in Asia Pacific was limited to 1%. Temporary store closures at franchise and multi-brand retail partners, notably in travel retail, combined with lower digital penetration, weighed on wholesale sales, which declined across all business areas.

The contribution of the Group's wholesale channel amounted to 24% of Group sales compared to 30% in the prior financial year.

## Sales and operating results by segment



### Jewellery Maisons

in €m	2021	2020	Change
Sales	<b>7 459</b>	7 217	+3%
Operating results	<b>2 309</b>	2 077	+11%
Operating margin	<b>31.0%</b>	28.8%	+220 bps

The Jewellery Maisons demonstrated their continued strength by delivering 3% sales growth at actual exchange rates and 7% at constant exchange rates. The increase in sales was driven by solid retail sales and a triple-digit acceleration in online sales. The enduring appeal of Cartier, Van Cleef & Arpels and Buccellati led to a significant rebound in sales from the low points in April and May 2020, when more than 50% of the Maisons' network was closed. Sales at the end of the financial year exceeded pre-Covid levels. The Jewellery Maisons' teams displayed exceptional reactivity and agility in managing capacity utilisation to meet both a sharp decrease in demand in the first half of the financial year contrasted with a strong acceleration in the second half of the year, finishing the year with a 54% sales rebound in the fourth quarter of the financial year. Overall, jewellery sales grew vigorously, with watch sales contracting moderately. Cartier, Van Cleef & Arpels and Buccellati continued to nurture their iconic collections, notably with *Clash Supple* and *Santos* for Cartier, *Frivole* and *Perlée* for Van Cleef & Arpels and *Opera Tulle* for Buccellati.

Performance was driven by double-digit sales increases in Asia Pacific and the Middle East and Africa, with lower sales in other regions.

Operating results increased by 11%, reflecting a combination of higher sales, strong cost discipline, and the agility to mitigate impacts of a stronger Swiss franc and higher gold prices. Operating margin also improved, rising by 220 basis points to 31.0%.

The Jewellery Maisons focused investment on client-centric digital initiatives and selective store renovations. These investments included for Cartier the renovation of the Dubai Mall and Paris Saint Honoré boutiques, and for Van Cleef & Arpels new flagship stores on Alibaba's Tmall Luxury Pavilion and at Wuxi Center 66 in mainland China. A new jewellery workshop was opened to support Van Cleef & Arpels' jewellery growth, while Buccellati pursued its international development with seven new stores (net). Buccellati also secured its iconic location in Rome on Via Dei Condotti.

### Specialist Watchmakers

in €m	2021	2020	Change
Sales	<b>2 247</b>	2 859	-21%
Operating results	<b>132</b>	304	-57%
Operating margin	<b>5.9%</b>	10.6%	-470 bps

The 21% decline in Specialist Watchmakers' sales reflected a 38% decrease in sales in the first half of the financial year followed by a marked improvement in the second half of the year, with sales up 10% year-on-year in the final quarter of the year. The double-digit sales progression recorded in Asia Pacific for the year partially mitigated a contraction in the other regions. Of note is the successful breakthrough of the Specialist Watchmakers in mainland China, where sales grew by triple-digits, and the acceleration in their digital transformation. Online sales grew by triple-digits driven by a sharp acceleration of all digital initiatives, including the opening of flagship stores on Alibaba's Tmall Luxury Pavilion for IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget and Vacheron Constantin, and participation in Watches & Wonders fairs in Shanghai and Sanya. Notable collection performances included Piaget's *Possession* jewellery, Jaeger Le-Coultre's *Master* and *Reverso Tribute*, IWC Schaffhausen's *Portugieser* and *Pilot* watches, and Vacheron Constantin's *Overseas* and new *Égérie* collections.

Lower sales, higher gold prices, lower levels of manufacturing capacity utilisation, and a stronger Swiss franc were only partially mitigated by lower operating costs, resulting in a 57% decrease in operating results to € 132 million. A strong focus on cash protection drove inventories lower and reduced investment in tangible fixed assets, leading to a strong increase in cash flow generation. Most of the spend was targeted at select boutique renovations, new online flagship stores, new franchise store openings as well as research & development initiatives.

## Online Distributors

in €m	2021	2020	Change
Sales	<b>2 197</b>	2 427	-9%
Operating results	<b>(223)</b>	(241)	+7%
Operating margin	<b>-10.2%</b>	-9.9%	-30 bps

Sales of Richemont Maisons' products made through NET-A-PORTER, MR PORTER, YOOX and THE OUTNET are reported under both the Maisons' and Online Distributors' business area reporting. In Group sales, these are subsequently eliminated as 'intersegment sales'.

The 9% decline in sales reflected the impact of widespread closures of distribution centres caused by Covid-19 in the first quarter of the financial year. However, the division saw an improvement in performance in the rest of the year, with sales up 3% in the fourth quarter. Regionally, there was good sales growth in the Middle East and Africa, due to the localisation of websites. The fashion business (YOOX and THE OUTNET) benefited from the highly competitive pricing environment in online fashion and registered higher sales, which partly offset lower sales at NET-A-PORTER and MR PORTER, due to the aforementioned pricing environment and inventory efficiency initiatives. FENG MAO saw continued progress: The NET-A-PORTER flagship store on Alibaba's Tmall Luxury Pavilion expanded and last September joined forces with Watches & Wonders Shanghai to launch a successful series of digital and offline events. Lower sales at Watchfinder reflected repeated periods of temporary store closures, particularly in the UK, and resilient, albeit lower, online sales. Of note is the recent acceleration of Watchfinder's 'part exchange' programme, now available in more than 80 Specialist Watchmaker stores.

Online Distributors reduced their operating loss to € 223 million. The € 18 million improvement versus the prior year reflected strict cost control with operating expenses contracting faster than sales. The EBITDA loss was halved to € 37 million and cash flow showed a marked improvement through tight inventory management. Targeted investments were directed towards information technology, mostly linked to NET-A-PORTER's global technology and logistics platform migration and other technical improvements, as well as strategic boutique openings for Watchfinder in Geneva and Paris.

## Other

in €m	2021	2020	Change
Sales	<b>1 345</b>	1 788	-25%
Operating results	<b>(241)</b>	(141)	-71%
Operating margin	<b>-17.9%</b>	-7.9%	-1000 bps

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

Sales in the 'Other' business area were 25% lower than the prior year, although the division saw a year-on-year sales increase of 12% in the fourth quarter of the financial year. Strength in mainland China limited the impact of declines in other locations. Performance was particularly affected by lower wholesale sales, reflecting a sharp contraction in travel retail. Retail sales were lower, with the exception of the Asia Pacific region, which was supported by the performance of dunhill and Montblanc. Online retail sales grew by strong double-digits, broad-based across most Maisons. Online sales accounted for 17% of total sales for this business area, compared to 9% a year ago. Overall, Serapian and Peter Millar showed the greatest resilience.

The year has been rich in developments with the arrival of Philippe Fortunato in September as CEO of Fashion & Accessories Maisons, new creative directors at Chloé, Alaïa and Montblanc, the highly acclaimed launch of AZ Factory, and a number of noteworthy launches, including the Montblanc *M\_Gram* collection, the Chloé *Woody* tote, the dunhill *Lock Bag* and enrichment of the *G/FORE* collection at Peter Millar. The Fashion & Accessories Maisons accelerated their digital transformation with the opening of Alibaba's Tmall Pavilion flagship stores for Montblanc, Chloé and dunhill, and the relaunch of Peter Millar's e-commerce platform.

In the year under review, operating losses increased to € 241 million, primarily reflecting lower sales and lower gross margin, partially mitigated by significant cost reductions. Cash flow generation significantly improved.

## Valuation adjustments on acquisitions

in €m	2021	2020	Change
Valuation adjustments on acquisitions	<b>(197)</b>	(196)	+1%

The amortisation of intangible assets and inventory adjustments made on acquisition are no longer shown in the operating results for the respective segments.

## Corporate costs

in €m	2021	2020	Change
Corporate costs	<b>(296)</b>	(283)	+5%
Central support services	<b>(254)</b>	(249)	+2%
Other operating expense, net	<b>(42)</b>	(34)	+24%

Corporate costs represent the costs of central management, marketing support and other central functions (collectively central support services), as well as other expenses and income that are not allocated to specific business areas. The majority of corporate costs are incurred in Switzerland. For the year under review, they represented slightly over 2% of Group sales.

**Jérôme Lambert**  
Chief Executive Officer

**Burkhardt Grund**  
Chief Finance Officer