RICHEMONT

FY24 Interim Results

Friday 10 November 2023

Contents

INTRODUCTION 2

HIGHLIGHTS 2

SALES 3

BUSINESS AREAS 5

FINANCIALS 7

CONCLUSION 9

QUESTIONS AND ANSWERS 12

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

INTRODUCTION

Sophie Cagnard:
Thank you, Alice, and good morning everyone. Thank you for joining us for Richemont's half year results presentation for the period ended 30 September 2023. Here with us today are Johann Rupert, Chairman, Jérôme Lambert, Group Chief Executive Officer, Burkhart Grund, Group Chief Finance Officer, Cyrille Vigneron, Cartier Chief Executive Officer and James Fraser, Investor Relations Executive.

We would like to remind you that the company announcement and results presentation can be downloaded from Richemont.com; and that the replay of this audio webcast will be available on our website today, at 3:00pm Geneva time. Before we begin, please take note of our disclaimer regarding forward-looking statements in our ad hoc announcement and on slide two of our presentation.

Turning now to the presentation, Burkhart will begin by discussing key highlights and Group sales. I will then provide further detail on the performance of our Maisons. Finally, Burkhart will take you through the financials and offer some concluding remarks. This presentation will then be followed by a Q&A session. Burkhart, over to you.

HIGHLIGHTS

Burkhart Grund:
Thank you, Sophie. Good morning to everyone listening. Thank you for joining us today. During the first half of the year, we faced growing headwinds, including an uncertain macroeconomic and geopolitical environment, unfavourable foreign currency movements and demanding comparatives. We nonetheless achieved double-digit sales growth for the six-month period ended September 2023 for our continuing operations, with an increase of 12% at constant exchange rates and 6% at actual exchange rates.

Operating profit of 2.7 billion euros was 2% lower over the prior-year period leading to an operating margin of 26%, a 210 basis point reduction compared with a year ago. Excluding the significant negative foreign currency impact, both operating profit and the resulting operating margin rose at constant exchange rates, as we will see on the next slide.

Profit from continuing operations, at 2.2 billion euros was 3% higher than the prior-year period. Cash flow from operating activities remained solid at 1.7 billion euros. Our net cash position was strong at 5.8 billion euros, taking into consideration the recent 2.1-billion-euro dividend cash payment that was approved by shareholders at the 2023 AGM in September. Please remember that our net cash position excludes 0.7 billion euros of YNAP's net overdraft classified as liabilities 'held for sale'.

The double-digit half-year sales increase at constant exchange rates reflected a very strong first quarter and softer second quarter, up 5% at constant exchange rates, highlighting the resilience of our Maisons in a challenging environment. Q2 sales were impacted by organic growth softening to

high single-digit in Asia Pacific and decreasing by 1% in Europe. At actual exchange rates, the second quarter sales were down 2%. Half-year sales growth was led by the Jewellery Maisons and the retail channel. The strongest regional growth was in Asia Pacific, fuelled by the removal of Covid-related restrictions at the start of the year and the related resumption of travel by the Chinese clientele. Unfavourable foreign currency movements have also adversely impacted the gross and operating margins. The reported gross margin was 68.2% compared to the 69.9% margin at constant exchange rates.

Operating profit from continuing operations of 2.7 billion euros was 2% down at actual exchange rates but 15% up at constant exchange rates. At constant exchange rates, the operating margin rose by circa 90 basis points to 28.5% compared to the prior-year period. The Jewellery Maisons showed their continued leadership in the industry during the period, increasing sales by double digits and recording a strong operating margin of 35.5%.

During the period, Richemont strengthened its corporate governance with the appointment of two new board members, Fiona Druckenmiller and Bram Schot as well as two new SEC members, Boet Brinkgreve and Swen Grundmann. It also released its ESG Report in accordance with GRI Standards.

SALES

Burkhart Grund:
Let me now discuss the Group sales performance in more detail: first by region and then by distribution channel. Unless otherwise stated, all comments refer to year-on-year changes at constant exchange rates.

All regions posted growth, with varied strength, led by Asia Pacific, where sales increased by 23%, making this region the largest contributor to the Group sales increase. Sales softened to high single-digits in the second quarter on the back of less favourable comparatives. The half-year regional performance was driven by a 34% sales increase in mainland China, Hong Kong and Macau combined, following the removal of Covid-related restrictions at the beginning of the year, increasing travel flows across these three markets, combined with favourable comparatives. Locations in the region that also showed strong growth included Taiwan, Thailand and Australia while other locations had varied and somewhat more muted performances. Overall, Asia Pacific represented our largest region with 42% of Group sales, up from 39% in H1-23.

European sales increased by mid-single digits, driven by the resilience of domestic demand and tourist spending, largely from American, Middle Eastern and, more recently, Chinese clients. During the second quarter, sales were broadly flat, reflecting lower spend from the American and Middle Eastern clientele. Sales in Europe represented 22% of Group sales, in line with H1-23. Notable regional performances came from France, Italy and Switzerland. Sales in the Americas were softer at reported rates and broadly in line with the prior-year period at constant exchange rates on demanding comparatives, with an improvement during the second quarter. Americans continued to spend abroad, mostly in Europe, though to a lesser extent than in the prior-year period, partly due

to the weakening of the US dollar/euro exchange rate which was at parity a year ago. The Americas made up 21% of Group sales, almost on par with Europe.

Strong growth continued in Japan and the Middle East & Africa, sustained by the strength of tourism in Japan, particularly from the Chinese clientele, and good support from both domestic and tourist spending in the Middle East & Africa. Combined, these two regions comprised 15% of Group sales, broadly in line with the prior year period.

Let us now turn to sales by clientele in the directly-operated stores of most of our Maisons. This will give you an indication of the magnitude of sales growth. Starting with the mainland Chinese clientele, you can see demand was strong in the first half of the year with sales up by circa 50% over the prior-year period, and circa +22% and +48% on a two- and four-year comparison basis. In short, sales with the mainland Chinese clientele are well above pre-Covid levels.

There was softer demand from the American clientele in this first half, with sales up around 3%, recording nonetheless very strong rates on a two- and four-year stack of around +40% and +140%, respectively.

The European clientele proved resilient, with sales rising by around 8% over the prior-year period and up almost 50% and 120% on a two- and four-year comparison basis. Note that the overwhelming majority of the spend by Europeans was domestic.

The share of tourism-related sales has nonetheless continued to increase, reaching now approximately one quarter of Group sales, driven by the resumption of Chinese spend outside mainland China, with most purchases being made within Asia.

Let us now turn to sales by distribution channel. Retail sales represented 69% of Group sales, a 200 basis point increase over the prior year period. Retail enjoyed the largest increase among the distribution channels, at +16%, with double-digit increases at the Jewellery Maisons and the Specialist Watchmakers and growth in all regions. Sales benefited from a net increase of 27 stores overall, most notably in Asia Pacific and the Americas, including the Buccellati store in Macau and Panerai in Seoul.

Online retail sales, at 5% of Group sales, were 2% lower versus the prior-year period. Performance varied by region, with higher sales in the Americas and the Middle East & Africa, and by business area with moderate growth at the Jewellery Maisons and Fashion & Accessories Maisons.

Now moving to Wholesale sales, which include sales to mono-brand franchise partners and third-party multi-brand retail partners, sales to agents and royalty income. Sales in the channel represented 26% of Group sales compared to 27% a year ago. Wholesale sales increased by 5%, led by double-digit progression at the Jewellery Maisons and lower performance elsewhere. Sales growth was primarily driven by Asia Pacific and Japan.

Direct-to-client sales, which represent sales in our directly-operated stores and online retail sales, make up 74.1% of Group sales, representing a 120 basis point increase over the same period a year ago.

This increase reflected the strength of the retail channel overall and the continued 'retailisation' of the Specialist Watchmakers, where the direct-to-client sales rose by 500 basis points to 59%. Nonetheless, the Jewellery Maisons continued to post the highest DTC rate at 82%.

Over to you Sophie.

BUSINESS AREAS

Sophie Cagnard:
Thank you, Burkhart. I will now review the business areas, with all comparisons at actual rates. Let me start with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels. Sales increased by 10%, fuelled by growth in most distribution channels and, region wise, driven by Asia Pacific with sales up 21%, followed by Europe with sales up 7%.

Higher sales, improved gross margin and good cost control led to a 5% increase in operating result which reached 2.5 billion euros with a 35.5% operating margin. We continued to invest in the long-term future of the Maisons, including into manufacturing capacity and capabilities and targeted investments into distribution. Communication expenses increased as well, notably linked to jewellery events. Here again, currencies weighed on results. At constant exchange rates, operating profit was up by 20% and the operating margin higher by 120 basis points. Let us now look at the main developments over the past six months.

Good growth was seen across the main product lines. Iconic collections performed well along with other 'creative' offers. In jewellery, these included the *Clash, Grain de Café* and *Trinity* collections at Cartier, *Fauna* and *Perlée* at Van Cleef & Arpels and *Blossom* and *Opera Tulle* at Buccellati. In watches, good performance came from *Panthère, Tank Normale* and the precious offer at Cartier, and *Alhambra* and *Perlée* at Van Cleef & Arpels.

The creative designs and craftsmanship of our high jewellery collections have been rewarded with strong results across the three Jewellery Maisons, with noteworthy successes from *Le Voyage Recommencé*, *Le Grand Tour* and *Mosaico* collections at Cartier, Van Cleef & Arpels and Buccellati, respectively.

The retail network was further upgraded with openings such as a new Buccellati store in Macau, the renovated Cartier store in Basel and relocated Van Cleef & Arpels store on Canton Road in Hong Kong. 60% of Cartier stores are now under their new concept after five store renovations were completed, which included Nagoya and Riyadh. At the other Jewellery Maisons, renovations or extensions included Van Cleef & Arpels in Hawaii and Buccellati in Paris.

To support the strong momentum in jewellery, production capacity is being enhanced with new facilities being built, acquired, or recently completed between Italy, France and Switzerland and this across all three Jewellery Maisons. Finally, the “Cartier Jewellery Institute” opened its doors to reveal the craftsmanship involved in jewellery-making and create interest among young people. In addition, Buccellati finalised an agreement with “Scuola Orafa Ambrosiana” to support the training of new apprentices and enable scholarships in goldsmithing.

Let us now review our Specialist Watchmakers, where sales were 3% lower than in the prior-year period, reflecting lower sales in the Americas, only partially offset by growth in Japan and the Middle East & Africa.

Worth noting is the performance of the retail channel, which grew by high single-digits and mitigated lower sales in the wholesale and online retail channels. As a result, retail penetration has increased to 57% of sales.

Subdued sales, a strong Swiss franc and the internalisation of stores impacted the operating result, which amounted to 391 million euros and generated a 19.7% operating margin. At constant rates, the operating profit and operating margin were down by 1% and 100 basis points, respectively.

Iconic collections delivered a good performance, including from the *Overseas* and *Traditionnelle* collections at Vacheron Constantin, *Reverso* and *Rendez-Vous* at Jaeger-LeCoultre, *Pilot’s watches* at IWC, *Polo* at Piaget and *Lange 1* at Lange & Söhne.

The level of direct-to-client sales continued to increase, rising by circa 500 basis points to reach 59% of sales, providing the opportunity for an enhanced client experience and improved understanding of our clients’ needs.

During the period, focus continued on store internalisation and enhancing store productivity. New store openings took place mostly in China and the US, including a relocated Panerai flagship store on Madison Avenue in New York and a new Piaget store in Sydney.

The last six months saw two innovative initiatives to preserve and pass on heritage, craftsmanship and creativity. Vacheron Constantin and the Metropolitan Museum of Art in New York announced a partnership to develop a series of projects designed to showcase their respective rich heritages and ability to keep cultural legacies alive for future generations. Jaeger-LeCoultre and the Michelangelo Foundation completed an inaugural edition of the Homo Faber Fellowship with a masterclass in creativity certified by ESSEC Business School, to be followed by a residential placement in the workshop of a Master.

Let us move to the ‘Other’ business area, comprising the Fashion & Accessories Maisons, Watchfinder & Co., and the Group’s watch component manufacturing and real estate activities. Sales for the business area overall were 1% down over the prior-year period, and broadly in line with the prior year for the Fashion & Accessories Maisons, with notable growth at Alaïa, Delvaux and Peter Millar and mid-single digit growth in the retail channel. There was subdued growth to muted declines across the business area’s main regions, which included the Americas, Asia Pacific and

Europe. Nonetheless, direct-to-client sales continued to progress, increasing slightly to 56%, driven by higher retail sales.

Overall, the 'Other' business area reported an operating loss of six million euros while the Fashion & Accessories Maisons reported an operating profit of 25 million euros, driven by a continued focus on creativity and cost control. The operating margin at the F&A Maisons amounted to 2.1%.

Sales grew across most of our F&A Maisons with a noteworthy performance from leather goods during the period, notably *Ballet Flats* and *Minaudière Coeur* at Alaïa, the *Brillant* at Delvaux, *Extreme 3.0* and *Sartorial* at Montblanc, and the *G.112* sneaker at G/Fore. Strong momentum was recorded at Alaïa, Delvaux and Peter Millar, supported by the strength of their new and existing collections.

Select network expansion initiatives included openings focused on Asia Pacific and the Middle East, such as the IFS Shopping Mall Chloé store in Changsha and the Delvaux store in Riyadh Kingdom Centre Mall.

Finally, Watchfinder launched a third-party marketplace in the United Kingdom in April, expanding their product offer through carefully selected professional sellers. This concludes the review of the first half performance of each business area. Burkhart, over to you.

FINANCIALS

Burkhart Grund:
Thank you, Sophie. Let me walk you through the rest of the P&L, starting with gross profit. Gross profit increased by 5% to 7 billion euros and represented 68.2% of sales, compared with 68.9% a year ago. At constant exchange rates, and compared to the reported H1-24 number, gross margin was 170 basis points higher at 69.9%. Gross margin was impacted by increased production costs driven by inflation on raw materials and salary increases compounded by the impact of adverse foreign exchange movements on sales. Those negatives were partly offset by higher production volume and price increases as well as favourable channel, Maison and geographical mix effects.

Let us now look at net operating expenses which rose by 9% compared to the prior-year period at actual exchange rates and by 13% at constant exchange rates. These increases are well above the 6% increase in sales at actual rates but broadly in line with the 12% sales growth at constant exchange rates.

Selling and distribution expenses increased by 9% at actual exchange rates and by 14% at constant exchange rates, primarily reflecting strong retail sales, larger retail operations in addition to inflation driven operating cost increases. S&D expenses represented 23.4% of H1-24 sales, a 60 basis point increase compared to 22.8% a year ago.

Communication expenses were up by 9% over the prior-year period at actual exchange rates and by 13% at constant exchange rates as the Maisons continued to invest in communication to support

sales growth, primarily at the Jewellery Maisons, and notably for high jewellery events. As a percentage of sales, communication spend was 8.6%, slightly higher than in the prior-year period. Fulfilment expenses, that is the costs of fulfilling online orders from our Maisons and Watchfinder, were in line with the prior-year period at actual exchange rates. Fulfilment expenses represented 1% of Group sales. Administrative expenses, which are primarily incurred in Swiss francs, were 16% higher than in the prior-year period at actual and constant exchange rates and amounted to 8.9% of sales. Growth was largely driven by higher IT expenses and salary increases.
Overall, net operating expenses amounted to 42.2% of Group sales.

This resulted in an operating profit of 2.7 billion euros, 2% down compared to the prior-year period, leading to a 26% operating margin compared to 28.1% a year ago. Profitability was significantly impacted by negative foreign exchange movements during the period as we just saw, impacting by 300 basis points both gross margin and operating expenses combined, and as recapped in the current slide.

In short, at constant exchange rates, operating profit grew by 15% and the operating margin improved by 90 basis points to 28.5%, compared to a 27.6% operating margin at constant exchange rates in the prior-year period.

Net finance costs eased to 52 million euros for the first half of the year. The 150-million-euro improvement was mainly driven by three main items. First, fair value adjustments decreased by 136 million euros, reflecting reduced fair value losses on the Group's investments in externally managed bond funds and money market funds. Secondly, there was a 63-million-euro positive reversal in the 'net financial income' line. These positive elements partially mitigated the net negative foreign exchange impact of 38 million euros on monetary items and hedging activities compared to the prior-year period.

Sales under "discontinued operations", which consists of YNAP, were down by 13% during the period, impacted by the challenging environment for multi-brand retailers.

Factoring in the 527-million-euro further revaluation of YNAP's net assets to fair value, the operating result from discontinued operations translated into a 603-million-euro loss.

As announced on 23 October, we have received all necessary approvals from the various regulatory authorities to enable the progression towards completion of Stage one of the deal. We will touch on that later.

Profit for the period from continuing operations increased by 3% to 2.2 billion euros, leading to a 21.1% profit margin from continuing operations. Our effective tax rate for the first half of the financial year from continuing operations was 18.0%. This is an organic rate for Richemont, and it is in line with our expectations for the full-year, absent any special unforeseen items occurring in the second half of the year, and within our projected 18%-21% range.

Cash flow generated from operating activities was 126 million euros higher than the prior-year period, at 1.7 billion euros, reflecting slightly reduced operating profit from operating activities more than offset by lower investments in working capital.

Let us now turn to our gross capital expenditure. Investments totalled 378 million euros, broadly in line with the prior-year period. At 3.3% of sales, capital expenditure was slightly less than the 3.5% in the prior-year period.

47% of gross capital expenditure related to points of sale investments, mostly renovations and relocations of directly operated stores. New store openings included Van Cleef & Arpels in Barcelona and IWC in Berlin. Relocations and renovations included Van Cleef & Arpels in US Costa Mesa, Cartier in Bangkok and Vacheron Constantin on Rodeo Drive.

Manufacturing spend was broadly stable at 20% of overall capex and mostly related to the Jewellery Maisons. Other investments made up 33% of capex and predominantly comprised IT investments.

Let us now turn to free cash flow. Free cash inflow of 866 million euros was 58 million euros higher than in the prior-year period. The improvement reflected higher cash flow from operating activities partly offset by higher net acquisitions of other non-current assets and higher lease payments.

Our balance sheet remains solid. Shareholder's equity accounts for 46% of the total. Net cash amounted to 5 billion 785 million euros on 30 September 2023, a 764 million euro decrease compared to 31 March 2023, which is more than explained by the 2 billion 72-million-euro dividend cash outflow. The dividend payment reflects an ordinary dividend of 2.50 Swiss franc per A share, plus a special dividend of 1 Swiss franc per A share, which were both approved by shareholders at the AGM in September.

CONCLUSION

Burkhart Grund:
Let me now share an update on our ESG progress. Taking a compliance-driven approach, our 2023 ESG Report, which we launched on the 2nd of June, is our first to have been fully prepared in accordance with the Global Reporting Initiative's (GRI) Standards. We have also increased the Group's GRI disclosures significantly compared to last year, with a notable 40 quantitative indicators independently assured by PWC – as well as incorporating metrics underlying the Sustainalytics and CDP assessment methodologies. We have also published our EU Taxonomy Report for our Luxembourg-based Richemont International Holding on our website, in compliance with the EU Taxonomy Regulation's reporting requirements. This report provides clear and comparable information on our environmentally sustainable activities and investments in the European Union. As mentioned in May, we have now extended our Speak Up platform to external stakeholders to allow them to voice their concerns and contribute to Richemont's ongoing commitment to transparency and ethical conduct. As mentioned before, we have also strengthened our corporate governance with the appointment of two new Board members with deep sustainability expertise. To embed ESG in our business strategy, we have recently established the internal Richemont Sustainability Academy to upskill our colleagues and best support our continuous improvement approach.

All these ongoing initiatives have been recognised by the ESG rating agency Sustainalytics with Richemont receiving a 11.3 risk rating score for its ‘low risk exposure’ with a ‘strong management’ labelling. This rating positions the Group among the top 4% of more than 15 000 companies rated worldwide.

We continue to work hard at nurturing the next generation of talent to ensure Richemont’s long-term growth. Richemont owns and partners with a number of leading schools in the fields of luxury design, jewellery making, fine watchmaking as well as luxury management courses to best prepare the leaders of tomorrow. You can see on the left-hand side of the table the schools we run and on the right-hand side where we have built collaborations with academic partners.

We also invest in an extensive apprenticeship programme as part of our deep commitment to preserving special craftsmanship techniques requiring expert-level skills and experience that are difficult and take time to acquire.

Let us now move to the agreement with Farfetch and Alabbar to sell them 47.5% and 3.2 %, respectively, of YNAP’s share capital, for which all regulatory clearances have been obtained. We are now working towards reaching completion of stage 1. Work is focused on reviewing the terms for certain Richemont Maisons entering into Farfetch Platform Solutions (FPS) and marketplace agreements to accelerate their Luxury New Retail ambitions.

At completion of stage 1, Richemont will receive around 58.5 million of Farfetch Class A ordinary shares in exchange for 47.5% of YNAP. On the fifth anniversary of completion, Richemont will also receive the equivalent of 250 million US dollars in Farfetch Class A ordinary shares, based on the then-current Farfetch share price. Alabbar via Symphony Global will acquire a 3.2% in YNAP such that Richemont’s holding in YNAP will be reduced to 49.3%.

Our financial commitment towards YNAP is to deliver YNAP free of financial debt, and with cash of 445 million US dollars. YNAP will use part of the cash to buy-out its minorities immediately after completion, leaving it with circa 290 million US dollars of cash. Richemont will also make available to YNAP a committed credit facility for an additional 450 million US dollars, for up to 10 years from the closing of stage one, that YNAP may draw upon if needed, subject to certain conditions. We have no other financial commitments towards YNAP and no financial commitments towards Farfetch. When stage 1 is completed, we will proceed with the adoption of the Farfetch Platform Solutions to power the e-commerce operations of most of our Maisons and of the four YNAP brands to shift to a hybrid 1P/3P model. This will be gradually rolled out in the coming years as there are many integration protocols that need to be put in place, including for connecting the Maison’s e-commerce operations and physical stores. Most of our Maisons will also open e-concessions on the Farfetch marketplace, enabling another access point for our clients. More details will likely be provided at our FY24 Results presentation in May. From closing of stage 1 to year five, Farfetch can potentially acquire our 49.3% stake in YNAP via a call option. In addition, Richemont could exercise its put option, hence sell its entire stake to Farfetch from year three to year five, subject to YNAP achieving positive adjusted EBITDA in the 12-month period prior to exercise as well as in three of four quarters over that same 12-month period.

In May 2020, we announced the creation of a Shareholder Loyalty Scheme to mitigate the reduction of the dividend paid for the year ended March 2020, following the Covid outbreak. This enabled us

to preserve cash at a time of great uncertainty while providing loyal shareholders with the optionality to recoup all and hopefully more than the then reduction in the dividend. As long as the share price on exercise day is above 67 Swiss franc, then it is worth exercising your warrants. Remember, 67 warrants are required to purchase one A share at a price of 67 Swiss francs.
The exercise period for the warrants, which were issued on 27 November 2020, is due very shortly, starting from 20 November at 9.00 a.m. central European time until 22 November at noon central European time. Be aware, however, that South African holders who hold their A warrants through Central Depository Participants will need to ensure their CSDPs submit exercise declarations between 9.00 a.m. South African Standard Time on 17 November and 12.00 p.m. (noon) SAST on 21 November latest.

Warrants that are exercised, and at today's price they are of value and should be exercised, will be converted into A shares, leading to an increase in the overall share capital, details of which will be further announced and posted on the website on 27 November Remember, the conversion of warrants into A shares is not automatic. If you do nothing, warrants will expire valueless, and you will lose money.

Before turning over to the Q&A, I would like to summarise and offer some concluding remarks. For the first half of this year, Richemont delivered good underlying operational and financial performance notwithstanding the demanding comparatives of the prior-year period while also facing increasing headwinds, in terms of geopolitical and economic uncertainties and foreign exchange. Unfavourable foreign currency movements had a significant impact on sales, cost of goods sold and operating expenses given our very strong base in Switzerland.

At constant exchange rates, sales grew by double digits following double-digit growth rates across all business areas and almost all regions in the prior-year period. At constant exchange rates, operating profit increased by circa 15% and operating margin rose to 28.5%.

The Jewellery Maisons remained the strongest business area, reporting double-digit sales growth and a strong operating margin.

Having received unconditional clearance from all relevant antitrust authorities for the Farfetch and Alabbar partnership with YNAP, we are now able to work on the completion of stage 1.

In conclusion, our robust net cash position enables us to continue investing into our Maisons and seize opportunities, notably in manufacturing and distribution to support long-term growth. Our resilience and solid balance sheet also give us confidence in weathering the current economic and geopolitical uncertainties and being able to maintain our ambition of delivering sustainable long-term value to employees and shareholders. This concludes our presentation. Thank you for your attention. I will now hand back over to Sophie.

QUESTIONS AND ANSWERS

Moderator: Our first question comes from the line of Chiara Battistini with J.P. Morgan. Please go ahead.

Chiara Battistini: Hello, good morning. Thank you very much for taking my question. It's Chiara Battistini from J.P. Morgan. So, the first question on the comment on the outlook, notably the soft landing comment, maybe can I ask you to expand on this comment? Maybe also touching on what has been seen since the end of H1 and a broader comment on shapes and views into 2024, please. And the second question is on the European performance. Europe as a whole was down, although the Europeans were called out in the presentation at up high single digit. So, I was wondering whether you could maybe provide a bit more colour in terms of the drivers of Europe between the Europeans that we have seen, but also the tourist share and wholesale. And calling out Europeans broadly in line with the previous quarter, are you not slowing down sequentially, it's a bit of an anomaly in this reporting season and an outperformance versus what we've seen from peers. And so, maybe could I ask on drivers that you've seen driving this outperformance with the European cluster, please. Thank you.

Burkhart Grund: Yes, Ciara, let me start to tackle the first question you raised, because obviously when you ask for our outlook into calender 2024, I think that's a very difficult undertaking or a very difficult question to answer, because simply we don't know. What we have experienced very clearly over the course of this fiscal year, or let's say over the course of the last 12 to 18 months, is a very strong impact not just on our business but on many businesses of reintroducing cost of capital and very aggressively reintroducing positive interest rates. Clearly this is leading us now into a period of normalisation also in our business, also in our so-called industry. We have been sceptical for quite a while about the outlook for China. There are, and have been for quite a while, elements that in general weigh down on the Chinese economy, and especially on the feel good factor, on which we as an industry depend on. The US has seen a normalisation already in the last 12 months. I think we are faring okay in that area. We're currently growing somewhere between 3% and 5% in our second quarter. The Chinese customer, and let's detach us for a second from the Chinese economy, has been showing strong growth in our first quarter, or even in the last quarter of our last fiscal year, and has started to normalise as well. Because once again, feel good factor weighs on the Chinese customer as well. But we are quite happy with that performance because it's in line with what and where our expectations were.

We have spelled out six months ago that we think that there will be growth coming out of the so-called Chinese cluster, which is happening. Growth has been strong over the period that we're discussing here. And we also said it might take a few years to come back to probably the level of overall business, especially outside of China with our mainland Chinese clientele. So, I'd say soft landing is our hope, but we will only know that when we look back at it, probably in a year's time. Fiscal 24 outlook, you know we don't guide, and I don't think that, especially in a period like today, we can. Jerome, do you want to get your-,

Jérôme Lambert: Yes, for Europe maybe two elements, that you highlighted in your presentation, Burkhart. The first one that it is that if you consider the semester, Europe has been growing at 5%, while the European clientele has been growing at 3% over the same period. So, we have two motors with moderate growth, but the motors are functioning with inflection in the second quarter where the European clientele maintains the same trend than in Q1. And were to resemble slightly less present, mainly again, linked to the forex effect or the fact that the Euro value is making a purchase slightly less interesting for certain country origins. Out of that, we have had a number of important renovations for many of our Maisons in Milano or in Paris for jewellers and for watch businesses. Cyrille, do you want to give some colour?

Cyrille Vigneron: Yes, to compare to last year, last year there was especially a very strong presence of American customers in Europe. So, the dollar was very strong and the American economy as well. And this year, because of the lowering of the value of the dollar compared to euro and also the economy, we saw that slowing down, which was expected. The Chinese customers have not come yet to the levels that were pre-Covid, and so that's where there is, for summer, a, kind of, discrepancy. For European customers, they have shown very strong resilience and continued to grow.

Sophie Cagnard: Good. Thank you, Chiara. Let's move onto the next question.

Cyrille Vigneron: Thanks.

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

Louise Singlehurst: Hi, morning everyone. Thank you very much for taking my questions, and the information so far. Just two questions from me too, please. I mean, the surprises in the period-, I suppose when we first look at the results and the underlying growth, particularly by region, the US absolutely stood out as a surprise for us externally. I'd be interested to know if it was a surprise to you internally, turning positive in the quarter. And are we now at this normalisation that you referenced with the US. Can we think of it as a lower but normalised growth level? And then my second question, just in terms of the Chinese cluster. Can you talk to us about the demand that you're seeing by the Chinese? Just the appetite. There's obviously appetite for the customer when they're travelling, but has there been any change in appetite for spend when people are travelling? Is there still as much excitement when you're seeing the Chinese customer shopping in Hong Kong or Japan than you would expect? Is there anything to really call out that you've seen in the last three months? Thank you.

Sophie Cagnard: Thank you, Louise.

Burkhart Grund: Yes, Louise, let me start to dig into the US. Are we surprised? Well, we shouldn't be surprised. Now, let's just look at this. First quarter was slightly down, this quarter is slightly up. The difference is from the negative to the positive, but not in absolute. The number's not so huge. It is built on what we are striving for, for the mid to long-term, which is having Maisons with strong brand

equity. And this had made the difference in this quarter, and let's say the net slightly positive results are a result of a few Maisons doing an outstanding drop in the period. So, I'd say it's marginally better and it's moved into the positive territory. And it has not been a massive surprise for us, put it that way.

Cyrille Vigneron: It's Cyrille speaking for the second question about the Chinese cluster. So, after the reopening of China, so domestically and then also reopening the borders, so, a very, very big impact in Hong Kong, Macau, and Hainan from January where people resumed travelling in the area which was the closest and the easiest in not requiring a visa or even being able to travel by car or by high speed train. So, we saw triple digit growth there. And of course, an appetite for travelling, moving and coming to the closer region. Then expanded a little bit more in Asia to Korea and Japan, and also seeing in Thailand. Not yet so much coming to the Middle East or to Europe. For the same question of airline capacity, visa and other things, which are practical questions. So, the appetite to travel is clear, and the appetite to also buy during travel is clear as well in the region where these volumes have increased.

Jérôme Lambert: And maybe in terms of style, we see the offer when it comes to so-called quiet luxury is also more expected these days.

Louise Singlehurst: Can I ask if there's anything to call out by cohort in terms of spending behaviour, entry through to high end. My last question, thank you.

Cyrille Vigneron: In this part, we don't see this divide. We see a more, kind of, interest for, I would say, strong Maison demand compared to others. We see a very good trend in high jewellery, fine jewellery, and also expensive watches as well, but also the iconic products doing pretty well. So, we don't see a divide by price point, it's more, kind of, the strong category with the strong brands.

Louise Singlehurst: Very clear, thank you very much.

Sophie Cagnard: Thank you, Louise. Let's move to the next question, please.

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

Thomas Chauvet: Good morning, Thomas Chauvet from Citi. Two questions, please. The first one on watches and whether Cartier watches and Specialist Watchmakers. Could you share your view on how you think the demand cycle is going to evolve in the next couple of years? We've seen three years of very strong goals across the industry, partly driven by savings and the other factors, but some kind of exuberant shopping behaviour, I would say. How are your watch Maisons preparing for potential further demand pressure to avoid some of the issues of the past in venture build up, (power markets, brand dilution and significant mounting pressures. And the second question, long-term on China perhaps for Mr Rupert, just over 10 years ago at the results presentation in Bellevue, it was FY 2012, you famously said about China, you felt it was a bit like having a black tie dinner on top of a volcano.

Since then, you've managed growth relatively well in China and with the Chinese clientele despite some headwinds that are getting cracked down or Covid. How would you describe the potential of China and the Chinese shopper at this point in time in the cycle? What has changed, what will change in how you're adapting on the ground and of course abroad to cater to the tourists? Thank you.

Jérôme Lambert: Yes, thank you for your question. Jérôme speaking for the watches. First, we see on the last 10 years, growing demand for fine watchmaking on a constant basis. And when it comes to Richemont, again, in the numbers that Burkhart shared and you saw as well, the CAGR in terms of clientele. And you saw that Richemont have been capturing a higher and bigger market share in America and in Europe over the period. It helps for our watch business because we have been capable to expand and to be less geographically limited than in the past. So, point one. Second point that we've seen as well during the last five years are that there is interest from a new generation for watches, and that's constant for male and for female. 10 years ago we may have had the iWatch syndrome or risk, but we have all seen that in fact now you wear the traditional watch, let's call them like that, and an iWatch simultaneously. So, from these two effects, generation plus geography, we foresee a constant positive evolution.

We mentioned it as well this morning, what is still, I would say, always reinforcing or putting more emphasis on the cycle is that we are in an industry where wholesale and retail are impacting the numbers in their dynamic. And then, as you know, we have been putting a lot of emphasis of having our sell-out over our sell-in, and therefore we always anticipate what we can see or what we can call softening of trends during a certain period of time. But if you look at it on a slightly longer period, you see a constant positive evolution of that market with stronger growth potential for the future.

Johann Rupert: I'd hoped, Thomas, that you'd forgotten about that black tie. You know, when I was saying earlier on that, one of the things I missed when I got older was the certainty that I had when I was in my 30s. So, I would say I spend 95% of my time worrying about events that may occur 5% of the time. Exogenous factors, now we certainly did not foresee the war in Ukraine or the atrocities in the Middle East. So, barring exogenous factors, the things that are certain is that for more than a decade we had, to quote Alan Greenspan, irrational exuberance, but this time by the very people who uttered those words, where the central banks increased the money supply. And this was combined by fiscal irresponsibility. So, they had to curb inflation, and whereas for more than a decade, free enterprise can't work without a hurdle rate. So, people acted in an exuberant fashion. So, in general, we will see a softening in demand across all categories, across all asset classes, whether it's housing, art, the automobile sector, because that's the goal of the reserve banks. Otherwise how do you get inflation down? And I'd suspect that interest rates will remain higher for longer than most people think. We prepared for that by a balance sheet, seven billion in cash, and continuously supporting our Maisons in terms of communication, building brand equity. How are we to grow? I know that we're increasing market share in jewellery. Still, despite new entrants we certainly are increasing market share.

In terms of our watches, you will recall when the democracy protests started in Hong Kong. The whole watch industry found out that we had a massive oversupply. And I have to state it, this was to a very large extent driven by the incentive structures that we all had, which favoured sell-in. So, we took out about 500 million worth of watches. But interestingly, the cost, which was about 300 million, we recouped over the next year because of lack of discounts. Because when we got supply and demand in line, it set off a chain of events. But importantly, the supply chain today is totally different to six, seven years ago. We have visibility and a lot more visibility. So, our wholesale business, although they're our clients, they're also our partners. So, we can monitor the sell-out, and we do it continuously. We can monitor the sell-out so that we do not create or we do not even allow our partners, wholesale partners to create excess stock. This is reflected in the severe discounts that permeated the whole industry, even the leaders, up to four, five years ago. So, I'd suspect that the exuberance of the last few years, well, it's already come to a halt. You will recall we were the first to warn that America was slowing down since last October, November. We did it before the rest of the market.

And whilst our competitors and analysts were so exuberant and optimistic about the resurgence of China, we cautioned that it would take longer. It did have an effect on the market, which showed that not everybody believed it. But it's not that the Chinese are a psychographic group of consumers. It's not that they don't have money. So, when we read about real estate, etc., that's not really affecting our psychographic group as much as people would fear. We've got to remember the one child policy is really in effect with our, let's say, 20 to 35, 40 year olds. Now, each of these individuals have two parents and four grandparents. You get married, that's multiplied by two. They do have savings. But I think there was an effect psychologically with the lockdown and so when we said in May that we expect this group of consumers to act more soberly than some of their Western counterparts, they were not going to go out and max their credit cards. So, the demand is there, the affinity for our products is there and we see it the moment they start travelling in the adjacent areas. So, I'm not pessimistic about China. I never said pessimism. I said caution because they are acting rationally. When people act rationally, they don't go and splurge. And I think the feel good factor will come back.

I know it's not politically correct to say so, but when you have a society of intelligent people who study STEM instead of criticising classical literature for being politically incorrect like their counterparts in the United States, they work hard, they're smart and they study future technologies, I fully expect them to continue to do better. Given what we know at the moment, obviously no exogenous shock, I'm very confident that the Chinese consumers will continue to display their affinity for our products. We are seeing it in triple digit growth when they travel to Hong Kong, Macau,, Hainan, etc. I think that's about what I can say, Thomas.

Thomas Chauvet: Thank you, Mr Rupert.

Sophie Cagnard: Thank you. So, let's move to the next question, please.

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

Zuzanna Pusz: Morning everyone. Thank you for taking my questions. I will stick to two. So, first of all, on the Jewellery Maisons margins really was down to the team. I just wanted to check, because I remember historically you said that the margins, sort of, would be around 3% in a bad year, around 35% in a good year. But clearly as of H1, the margin increase I would say is even 8% underlined. So, I was just wondering, sort of, excluding effects of course, how we should think if anything has changed given the size of the division if maybe this time when things are slow, you could have a little bit of a, let's say, higher level of the slower margin? That's my first question. And the second question is on YNAP. Thank you for the update. But I was just wondering if you could maybe share with us a little bit more about the Plan B. And I know that the deal got all of the necessary approvals, but you're probably aware that there are some concerns in the market around just the overall health and future of the Farfetch business. So, I guess, you know, it would be helpful to maybe reassure the market investors that if for whatever reason the deal doesn't conclude, is there a risk that YNAP would come back to your business? Any thoughts you could share on that front would be very helpful, thank you.

Burkhart Grund: Yes, Zuzanna, good morning. Let me start with the jewellery margins. I always was very clear, right, it's not a guidance, it's an indication of the range in which we are comfortable, 30% to 35% at current market context, etc. Remember, these are businesses that are highly cash flow generated but also require consistent investment over time, and that view has not changed. Yes, we are in a high margin business and I would say the view has remained exactly the same. We don't adjust it every six months. Remember, last year we were 37% in the first half, and in the second half we tend to have higher outlays in spend and also into network. And we have the peak selling season where we traditionally support more of the communication side so that overall we were at the high end of the range for the full year of Fiscal 23. We are still in the same position, we're still under the same logic. These are very high margin businesses, we intend to max it out in the sense that we continue to invest.

Johann Rupert: Sorry, I wasn't aware of all of this guidance.

Burkhart Grund: It's not guidance.

Johann Rupert: No, it's not a high margin business. You start saying that, it's a fair margin. And I'm loathe to predict that, because the higher the value of high jewellery, the margins are lower. So, we have a far, far lower margin on high jewellery. So, it's the product mix to a very large extent that determines it. As for Farfetch YNAP, I think we must just put a little bit of context here. Since our real involvement started 14 years ago, we've spent well in excess, close to EUR 30 billion on communication and marketing and leases. So, if you take a total exposure to online, you are talking about a fraction of that. But what are we trying to achieve? When we spend close on to 2 billion a year, which is more on communication, which is more than total YNAP exposure, YNAP Farfetch online exposure, we are trying to, for our consumers, our clients, to get to know us and our products. But in return, we don't really learn that much about who these clients are. So, to give you an idea just in the watch division, in the last three, four years we used to get to know about 130 000 of our watch clients a year. Now, it's over 600 000 and that's growing. So, if we are to know our clients, luxury new retail is not just online. It's retail which is important real estate, but enhanced by detailed knowledge of who

the clients are. So, as artificial intelligence becomes more pervasive, you need data. You need to know who your clients are so you can service them better. What we have found, and I'm talking now technically, from our technical team, is that everything we expected in terms of technology from our Farfetch friends, they've delivered and we are satisfied. We believe that it's going to enhance our business model. I cannot talk about the affairs of a public company. It's just not proper. Had they been a private company, I could have given you far greater guidance, but they are a public company. What I am saying is that what we're interested in is the technical expertise and the possibility for getting integration between the systems and there my technical colleagues are telling me that they are happy.

Zuzanna Pusz: Thank you, but may I just follow up about the-, I mean, I understand that you're happy with the collaboration with Farfetch, but just on Plan B.

Johann Rupert: We cannot follow up on Plan B or Plan C or Plan D or Plan E, I cannot tell you about anything, they're a public company. I'm sorry, but, you know, I've been involved, I've been in investment banking, I ran a bank, I've never ever broken any security legislation in my life and I do not intend doing it now.

Sophie Cagnard: Let's move on to the next question. Thank you, Zuzanna.

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

Luca Solca: Thank you very much indeed for taking my question. Luca Solca from Bernstein. Maybe linking back to the situation with YNAP, just assurance to get a sense that you have safeguards in your contract with Farfetch that if things go wrong you can get your business that would be handled by Farfetch, under the Farfetch platform solutions agreement, you could get back, or not, and how it would work in that case? Then, as a separate question, what are your views at the moment-, I make the most of the fact that Mr Rupert is on the call, we had discussed in the past that soft luxury is still below scale. What are your views at the moment? The market is clearly going through moderation. There is going to be pressure on smaller companies. Would this be an opportunity to increase market share, not just organically, but also through M&A and what are your views on that front? Thank you.

Johann Rupert: Thank you, Luca. Yes, we have safeguards, but as I've said to you, we do have safeguards, but as I said to you, their technology that we have now learnt is exciting and I'm not going to expand further. Now, had I listened to you and had we done all the mergers that you'd expected me to do, would you have been very happy if you'd been a Richemont shareholder now? Would you like to answer me that, then I'll carry on?

Luca Solca: Well, it would depend which ones.

Johann Rupert: Yes or no, it's a binary question, Luca. Okay, you don't have to answer it.

Luca Solca: Probably not. Probably not. Probably not. I think sticking to organic growth is a good idea.

Johann Rupert: Grazie, Luca, grazie mille. Okay, Luca, if you analyse it, we have outperformed our main competitors, in the last six months, in fashion, in leather, in watches, in jewellery, etc. This has been going on for, I think, about five or six quarters now. So, we have a philosophy, Luca, to rather build goodwill than to pay other people excepting shareholders for the goodwill. Yes, it may take time, but we are seeing very, very good growth at Alaïa especially since Pieter Mulier joined. Buccellati is truly performing. We expect the same to happen with Delvaux. Remember when we bought Van Cleef. I think we paid 320 million euros or something. US dollars, US dollars. Well, it was about the same. The turnover was 60 million and they lost 60 million and not only from you, but at every board meeting-, well, I would say once a year I had two directors asking me in very proper English, "So, when will Van Cleef ever be profitable?" In the end, I got so bored with the question that I said, "When we want it to be." Today it's an absolute star performer. Peter Millar, a star performer, and it's starting to be big enough to move the needle. The problem with M&A is that the companies that you truly admire and that have the right culture, which is critically important. If you buy a company with bad culture, you have to spend more management time fixing the culture and it always turns out to be more problematic than you think. So, when you're catching falling knives, you start diverting your attention from the truly profitable future companies in fixing problems. So, please do not expect us to make hugely accretive acquisitions. Rather expect us to use a few of the years, maybe two, three years, I don't know how long this is going to last, by carrying on building the brand equity and expanding on our existing Maisons. We are outperforming and I suspect that we will have to gain market share to grow in an overall market that I suspect will be flat. Yes, there will be geographical differences, so you may actually pick up. Luckily, our products, our infrastructure and our brand equity is widely dispersed over the geographical, and dare I say it, psychographical, markets of the world. But thank you, I waited a long time to ask you that question, Luca.

Luca Solca: No, thank you, Johann. Thank you, Johann. Your answers are very reassuring, both of them, thank you.

Johann Rupert: Okay, thank you.

Sophie Cagnard: Thank you, Luca. Let's have the next question, please.

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

Antoine Belge: Yes, hello, hi, it's Antoine at BNP Exane. I had two questions. First of all, coming back to the performance of jewellery, which has been super strong, will it be possible, I know you disclose it only for the six months, but especially within Jewellery Maisons and what was the outperformance of jewellery versus watches. And I'm sure you know that there is a big debate about potentially jewellery being less resilient than, I don't know, let's say leather goods. That's not my thesis, but if you could maybe share some thoughts about how things could be different this time, maybe compared to the past with this very attractive category. My second question relates to, I know it's a bit boring, FX, but it's at the peak of the first half, huge impacts. I understand the Swiss-run part especially, maybe

versus LVMH and Hermes, but for the rest could you come back a bit about the hedging policy and why the impact was so visible in the first half? And, if so, would it be fair to say that maybe there'd been not that much protection from hedging? It means that in the second half there is less pressure and also how you approach opex increases, because it was at constant currency, I think an increase more or less in line with top line, maybe in a normalisation phase, even in your soft landing scenario, could opex be growing in line or a bit less than top line? Thank you.

Burkhart Grund: Let me start, first of all, we don't count watches versus jewellery, etc., within a given segment and I don't think we're going to start doing that now. I think to your question or thesis, you know, hard luxury, soft luxury or jewellery less resilient than leather. I think, look at the numbers and look at the evidence that you see. Our chairman quoted that we outperformed our peers in the first nine months. We looked at it nine months, that's how you compare it to our competitor's report. Our jewellery division has outperformed the fashion and leather divisions of our peers, of our competitors and it's not a new phenomenon. It has been like this over the last two to three years. I think today I can only refer you to that. Look at how it looks with the reported numbers over the last three years. On the second question, same thing there. You know, we don't guide, we don't guide on FX, on exchange rates, because we simply do not know. You're asking H1, H2 hedging, this has nothing to with hedging. This has something to do with where we are located and where we generate our sales. Our sales, as most of our industry and our peers, have a high US dollar part, which obviously, and our competitors have pointed that out as well, is suffering from the strength of the Euro.

On our cost base, we are Swiss-based primarily. When we look at our manufacturing side of things, and we also have our headquarters, and headquarters of many of our Maisons are based in Switzerland, have a high exposure to the Swiss Franc which as you know has strengthened against the Euro. H1, H2, I simply do not know, because I simply do not know how the exchange rates will evolve. The hedging is a 12-month rolling hedge, so it doesn't really necessarily have any short-term impacts here, because we simply apply it as a programme and not as a speculative instrument. We don't take a position, we have a hedging programme that is locking in now with the 12-month rolling basis. So, I can't give you any smarter answer than that.

Antoine Belge: Okay, thank you. Maybe just following up, so it means that internally, even against that soft landing scenario, is your attitude to cost and change entirely compared to-, there's been quite a difference between Q1 and Q2, so still about this idea that jewellery is an attractive category and it's good to invest.

Johann Rupert: The difference between the categories is branded jewellery is still a very small percentage from the total jewellery market. As such, you have more growth in gaining market share between branded and unbranded jewellery. That's the key overall driver. Then secondly, in the branded jewellery market, we gained market share.

Antoine Belge: Thank you very much.

Johann Rupert: Thank you.

Sophie Cagnard: Next question, please.

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

Edouard Aubin: Yes, good morning. Two questions for me. I think they are for Cyrille, but I'll let you decide. So, the first question is really big picture, but looking at counterfeits in the jewellery category. I guess counterfeits have existed for as long as the luxury goods industry has existed, but it seems that the importance seems to have clearly increased in recent years and given that Richemont owns so many iconic jewellery lines, you seem particularly vulnerable and potentially impacted by that. So, are your checks also indicating that this is picking up in terms of counterfeits and what are you doing to address this problem? The second question is just to follow up on Louise's question on the profile of the consumers and what you just said. I think you said you are not seeing really any change in terms of price point, rather by brands, but if you look at the income brackets, are you this year still able really to recruit from the middle class as much as you've been over the years or really are you seeing more high net worth driving the growth? I'd be interested to have some follow-up and more colour on that. Thank you.

Johann Rupert: I'll just start with counterfeiting. It's Johann here, because I've been around Cartier since 1976. It depends what you call counterfeiting. We had a German producer of Trinity rings. That was really remarkable and it took us a while to stop him. We had a Mexican gentleman who opened a Cartier store in Mexico that he owned and I never forget, in 1978 when Alain Perrin launched the Santos. He came to New York, I was working there at Lazard's at the time, to complain bitterly about the quality of the bracelet that he had to service in his store. And I said, "But hang on, man, you do not even own Cartier, but you've built a boutique that looks like ours, you make your own products, you brand them Cartier." So, we've been around for a while experiencing-, by the way, he later on became internalised and became one of our very best partners. So, we had JV. It's been around for as long as we live. I don't think we have seen an upsurge in counterfeiting and trust me, we monitor every single market. We literally scan billions of pages with our Alibaba partners. It's part of our online experience, where we actually look at the imprints continuously and we haven't really seen-, we have seen a few of our big competitors copying our designs. Shamelessly, dare I say, where we have to take them to court, but we haven't really seen a problem with counterfeiting as such. People copying our iconic designs? Yes, we have seen problems, but luckily the clients-, it's very difficult in jewellery, when you're a new entrant or you're a fashion company and you start playing in the jewellery business, because the clients know that the one company has been around for over a century and a half. And so when they see designs, they recognise them. But, the product categories, yes, get attacked with other designs, but as I've said and I can say it in defence of Cyrille and Nicolas, they've managed to increase not only volume but market share. So, Cyrille, please.

Cyrille Vigneron: Yes and so when it comes to the question of counterfeit or intellectual property, more and more our customs are really, really conscious of that. And on the other side, through

internet search, you can identify after. So, it's much easier to add them before, so, we don't see increase. What we see is increase of our customers wanting to have authentication and we work on that also internally to give them safety. But things have not worsened.

Johann Rupert: Very good point that Cyrille just made. We are very well progressed into, and it's very sophisticated, but to actually give certification, when you buy from a Love bracelet obviously to watches, high jewellery is not a problem, but because they're unique pieces where we can actually give a digital certificate to accompany the product. And we will even be able to retroactively do it for customers that have Le Clou or a Love bracelet for the authenticity. It's a very interesting question and very good question, but countries that did not have their own products that needed intellectual property protection tended to be more lax on providing IP protection. But as we see countries, if you look, for instance, at China and electric cars, they will dominate the market, Europe. So, their own producers and they're entering the luxury goods business with some very lovely products. They will then demand of their governments to strengthen intellectual property protection. So, there's been a very good tendency and a trend in the world where the IP protection is no longer just requested from let us say the European or the older Maisons and older trademarks. This is increasingly being demanded by, for instance, Chinese industrialists who have their own IP to protect. So, it's a point that I didn't think of, but to support Cyrille, we've really seen a far better protection and which result in customs protection and scanning. But it's a constant monitoring process. But I must just finally add, about 20 years ago one of my Cartier colleagues moaned like crazy about copying. And I said there's a far worse thing. Not being copied. If your watch is not being copied, it means you've got a dud, a failure on your hands. So, it's actually, as they say, flattery, you know, imitation is flattery. So, we will know immediately whether something is a hit by people attempting to copy it. I hope that's a satisfactory answer.

Cyrille Vigneron: And for the second question, we don't see a difference into, I think, a different customer profile meaning upper middle class or the high net worth individual. What we can see and what Johann mentioned people are more quiet or reserved. We see people take more time to decide in all categories and they take that. So, they're, kind of taking time to consider and to make sure about decisions, which favours the well-established brands compared to those who are just speculating. We see also that on the second-hand market where there was, kind of, a crazy price that comes at some point just with speculation and it has calmed down a lot. So, it's more this question of calming down, taking more time for a decision, but not a question of a customer's profile. They act more rationally all across.

Johann Rupert: And they also, as you said earlier on, Cyrille, they feel comfort with authentic brands. Reassuring, that's a better way. Reassured by that.

Sophie Cagnard: Okay. Let's move to the next question.

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

Jon Cox: Yes, good morning. Jon Cox, Kepler Cheuvreux. Thanks for taking the questions. I want to come back to what my colleague was saying just in terms of the margin FX headwinds. You mention 250 basis points impact on margin in H1. Just wondering going into the second half of the year, the currency headwind space on the spot rate are probably about half of what they were in H1. If that's the case, should we just expect, you know, a half of those 250 basis points? And, you know, as part of that, given your commitment to equalise prices globally, wouldn't you start to actually increase prices in those areas where you're getting that negative transaction impact because of the Swiss Franc cost base. So, will you be doing price increases in H2? And as part of that, I see that your Watches and Wonders next year is going to fall into the new financial year. I know typically that can be, like, a 50 million spend. I guess that will now be in the next financial year? So, it's, like, a margin question. The second question, just a technical one on your warrant scheme, which is great. It looks like it's rewarding shareholders. But it looks like you're just going to dilute shares by about three percent, even though you're going to get 67 Francs per share. Are you going to, sort of, try and neutralise that at all? Because obviously that 67 Francs per share cash in, that's just going to stack up on your cash pile. Or are you going to do something to try and offset it so the dilution would be the fair amount, which would probably just be, you know, one percent of new shares? Thank you.

Burkhart Grund: Jon, there was I don't know how many questions, probably five or so. I mean, once again, I let you figure out the FX question because honestly, yes, obviously in the second half of the year, the dollar last year has started to weaken, which would argue for having a lesser impact on our top line flowing through. We'll have to see how that plays out. The Swiss Franc is the other question that we're unable to answer right now because, once again, that has an impact on our cost of sales and our cost base. So, but directionally on the US dollar, obviously you observed the right thing.

Sophie Cagnard: There was a question on price increase?

Burkhart Grund: But I think there was a question, sorry. There was also a question about Watches and Wonders. Yes, I would say the biggest part of the spend on Watches and Wonders will happen in the next fiscal year, meaning the spend will be split over the end of this year and the beginning of the next fiscal year.

Jérôme Lambert: Yes. Jerome speaking. Just Watch and Wonders takes six to eight weeks to build. So, we have to pay our suppliers during these weeks. So, the cash effect of it is quite limited between the exercise. They're very, very marginal.

Burkhart Grund: Yes, cash effect is marginal and the spend is split. Pricing.

Cyrille Vigneron: So, there were some price increases that already happened before that and so we don't plan new ones. And there was equalisation of prices mentioned because the Japanese Yen was very low. We adjusted slightly, but that's all.

Johann Rupert: I don't think the luxury goods industry will be using pricing as a tool over the next two years and we are very, very glad that we did not use pricing like one or two of our competitors because

today the customers remember. And there is a reluctance. Some people increase the prices for similar products by 60, 80%. And I think today they may regret having done so. In terms of the loyalty scheme, you will recall that we did it because we halved the dividend when we lost in April at the beginning of Covid nearly 430 million euros in a month. And it really was a bit on humanity's capacity to find a vaccine and for it to happen within three years. So, we felt that we were going to reward the shareholders for the cash that they were losing in the dividend and we are very happy to say that that has occurred. In terms of dilution, the people who kept their shares, it's as Mr Buffett said, 'How big is the cake?' Cake doesn't increase, you just slice it. If you have a pizza and you slice it in four or 12, it doesn't increase the size of the pizza. So, anybody who kept his shares and who exercised the warrant is better off. Do trust me. I never sell shares and I've done the calculations myself. And I'm exercising.

Sophie Cagnard: Thank you, Jon. Let's see, it's already 11:12, should this be the last question? Next question please.

Moderator: Okay yes, the next question will come from the line of Thierry Cota, Société Générale. Please go ahead.

Thierry Cota: Yes, good morning. Thank you for taking my question. This is Thierry Cota from Soc Gen. I just have one left actually on the watch industry as a whole. Watches of Switzerland indicated recently that in their view the sell in and the fact that Swiss watch exports data is above sell out currently in the industry and above actual demand. So, I understand your cautious policy of sell in below sell out, but maybe it's not the case of your peers or some of them. I was wondering whether you observed that as well and if there was any concern about the health of the overall industry for you in this respect? Thank you.

Johann Rupert: I cannot speak on behalf of Watches of Switzerland or our competitors, but I would be very surprised if our biggest competitor is not a lot smarter, and I'm pretty sure they're not selling in more than they're selling out.

Jerome Lambert: Maybe as well to add, it is also that our watch industry is also still very run by a calendar or by the regular calendar. I mean, the festive season is a very important period and we are selling goods. So, these goods need to be shipped in this country. So, it can take according to the logistics supply chain of the different Maisons, a few months or a few weeks before the product arrives. So, I think that out of the sell in and sell out, the goal is not to be too sensitive to quarterly data when it comes to watches, particularly if you are after a manufacturer summer break in Switzerland, not exporting during quasi six weeks and then manufacture reopens and then you export more. And then if you have the cut of the quarter between this period, you can misread very quickly in geography, performance, penetration and these kind of things. So, at least to have caution in the analysis of the export numbers on a quarterly basis, I guess.

Johann Rupert: A very good question. But I think all of us in the industry plus wholesale that I actually call partners not clients have learned the danger of overstocking. So, I do not think that people are going to make the same mistakes that we all made five, six years ago. But there's also the question of

holding onto inventory. When you have very low interest rates, it's a lot easier to hold onto stock. So, I think we have to realise that the Fed is succeeding and there is a tapering down. To get inflation down, they've got to drive down wage demands, which means, unfortunately, they've got to estimate how high they politically allow to get unemployment. Secondly, they are dealing with lag indicators, not lead indicators, and one must be fearful that they don't overshoot. Because their track record up until now in overshooting, in oversupplying liquidity is so woefully bad that this is one of those 95% things that I worry 95% of my time with 5% realisation. Maybe, yes, this realisation is higher. So, this will have an effect on business in general, including our wholesale partners, that the cost of holding onto stock will be a lot higher. So, let's assume that most of us do not really expect. If you want to grow yourselves, you're going to have to increase market share. But that also has another thing in it which is, I'll give you an example. To make a complicated Lange & Söhne watch, you have to be a watchmaker for at least 15 years. 15 years ago, there were not too many people in Glashütte lining up outside of our factories looking for work. So, when we have in a number of our watch manufactures, long waiting lists, these are not created artificially. They're simply created by the lack of capacity because of skilled artisans. I always joked that we will sell less Langes than Ferrari will sell cars. Now it's half. So, Lange is half. And clients are willing to wait for longer times. So certain watch manufacturers will not suffer simply because they're limited by supply capacity because of the capacity of human beings. Others will reach market supply capacity a lot quicker. So, we should really look deeply into the numbers and adjust our total supply chain accordingly and there luckily we have, I would say, I don't know the factor of what more visibility than we have six, seven years ago. So, and our supply chain is more flexible, quicker. For instance, we talk about sober watches. We noticed that seven, eight years ago. And as the cause of the (inaudible) watch group Panerai, we cautioned our colleagues, thinner watches, smaller watches and more platinum white gold because people are not going to want to show. So, that took us two or three years because you can understand to move simply from bling to sobriety, it took two or three years. That's paying off now. We see a long waiting list for watches that are understated. Even at Cartier. So, luckily we foresaw that a while ago and geared our production and our launches towards that.

Cyrille Vigneron: For an example, our Tank Normale, which was edition platinum, could be oversold ten times. It was limited quantity and it was really, really well received. Or the anniversary watch for the Pebble or the Crash watch are really in high demand, but they are limited and that makes their value.

Sophie Cagnard: Good. I think this concludes our results presentation. Thank you very much for attending. And if you've got any more questions, James and I are here to help. So don't hesitate to call. Thank you. Have a good day and a good weekend. Bye Bye.