RICHEMONT

FY23 Interim Results

Friday 11 November 2022

Contents

Speakers:

- Jérôme Lambert, Group Chief Executive Officer
- Burkhart Grund, Group Chief Finance Officer
- Cyrille Vigneron, Cartier Chief Executive Officer
- Sophie Cagnard, Group Corporate Communications and IR Director

Operator: Ladies and Gentlemen, welcome to the Richemont FY23 Interim Results Presentation. I am Alice, your call operator. The conference must not be recorded for publication or broadcast. At this time, it is my pleasure to hand over to Sophie Cagnard, Group Corporate Communications and Investor Relations Director. Please go ahead.

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 2022. Here with us today are 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, I would like to draw your attention to the disclaimer on our presentation and company announcement regarding forward-looking statements.

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. I will now hand the call over to Burkhart.

HIGHLIGHTS

Burkhart Grund: Thank you, Sophie. Good morning to everyone listening. Thank you for joining us today. Before going into the financials, I would like to highlight that, following the announcement last August of the agreement to sell a controlling interest in YNAP to Farfetch and Alabbar to create a neutral industry platform, YNAP's results for the period ended 30 September 2022 are presented as 'discontinued operations' and its assets and liabilities are transferred to 'assets or liabilities held for sale', in accordance with IFRS rules. Remember that this agreement is subject to a number of conditions, including the receipt of certain anti-trust approvals. As a consequence, Watchfinder's results are now reported within the 'Other' business area. Prior-year period and Q1 income statement figures have been represented accordingly.

Sales for the six-month period ended September 2022 for our continuing operations grew by strong double digits, with a 16% increase at constant exchange rates and 24% increase at actual exchange rates. Sales were positively impacted by favourable currency movements during the period, adding eight percentage points to Group sales growth.

Operating profit increased by 26% over the prior-year period to 2.7 billion euros, delivering an enhanced operating margin of 28.1%. This represents a 30-basis point gain in operating margin over the first half of last year.

Profit from continuing operations rose by 40% to 2.1 billion euros. Cash flow from operating activities, at 1.5 billion euros, was robust. Our net cash position, at 4.8 billion euros, was solid, especially considering the 1.9-billion-euro dividend cash outflow in September which represented an 810-million-euro year-on-year increase.

The strong sales trends seen in the first quarter of our financial year continued in the second quarter, such that half year sales grew at double digits across all business areas, channels and regions at actual rates, except for Asia Pacific where reported sales increased by 3%. The strongest sales increases came from the Americas, Europe and Japan region wise, and from our directly operated boutiques channel wise.

The strong operating profit from continuing operations reflects the benefits of past decisions. Along with watch inventory buy-backs, we effectively managed the sell in/sell out ratio while optimising our wholesale network. These actions have led to a sound inventory position and stronger partnership with our multi-brand retail partners. Improved manufacturing processes have provided more agility to better address changes in demand. In parallel, we embarked on our digital transformation journey, providing another 'route to market', which has proved particularly beneficial when stores temporarily closed. This has enabled us to aspire to realising our 'Luxury New Retail' vision where frontiers between bricks and mortar retail and online retail disappear. The recent agreement with Farfetch and Alabbar was a key milestone in our progress. More on this later.

We continued to advance on our ambitious sustainability goals focusing on reducing our environmental footprint, amplifying our social handprint and refining our governance. We are ahead of schedule on our 2025 goal to source 100% of renewable electricity, are refining our Human Rights strategy and have undertaken proactive engagement with stakeholders including NGOs; more on that later as well.

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.

Almost all regions showed strong double-digit increases, led by Japan in terms of rate of increase, thereafter Europe and the Americas. The 76% sales increase in Japan was driven primarily by local clientele. Sales were also supported by a nascent return of tourists, primarily from Southeast Asia, and also from a favourable comparison base due to boutique closures in the prior-year period. Sales in Europe, up 45%, benefited from inbound American and Middle Eastern tourist spending and robust domestic demand. Sales in the Americas region rose by 22%, with the significant growth of 29% experienced in the first quarter of our financial year softening to 14% in the second quarter as American tourists were travelling to and buying in Europe. Sales to the American clientele overall remained strong.

The largest contribution to the overall sales increase in value terms came from the Americas and Europe. The momentum in Asia Pacific improved significantly, with second quarter sales up 6%, leading to the sales decline for the six-month period moderating to 5%. Although continued health restrictions in parts of China weighed on sales, the region benefited from sharp sales growth in other markets such as Australia, Singapore, South Korea and Thailand.

The Group has a well-balanced geographical mix. Asia Pacific represented 39% of Group sales; the Americas, 23%; Europe, 22%; Japan and the Middle East & Africa together 16%. It is worth noting that the Americas share of Group sales has surpassed that of Europe, and that the US is at par with mainland China.

Let us now turn to sales by distribution channel. Retail delivered the strongest channel performance, with sales increasing by 21%. This strong performance was driven by double-digit sales increases across all business areas and, regionally, by the Americas, Europe and Japan. Momentum accelerated in the second quarter, particularly at the Jewellery Maisons and Specialist Watchmakers. Retail sales' contribution to Group sales rose by 3 percentage points to 67% compared to the prior-year period, making retail by far the largest contributor to Group sales.

Online retail sales, at 6% of Group sales, increased by 9%, with growth across all business areas. Growth was particularly strong at the Specialist Watchmakers, where almost all Maisons showed significant double-digit sales increases. Within the regions, Japan and the Middle East & Africa registered the sharpest progression rates, albeit from a relatively low base, while the Americas, up double digits, remained the largest contributor to online retail sales.

Now moving to Wholesale sales, which include sales to mono-brand franchise partners, to third party multi-brand retail partners as well as sales to agents in addition to royalty income. At 27% of Group sales, wholesale sales rose by 6% versus the prior-year period. The Fashion & Accessories Maisons contributed much of this growth, with most Maisons posting double-digit increases. Almost all regions posted strong double-digit growth, led by Europe and Japan.

Direct-to-client sales, which represent sales in our directly operated stores and online retail sales, grew their contribution to Group sales to 73%. The DTC rate was highest at the Jewellery Maisons at 83%, and above 50% both for the Specialist Watchmakers and the Fashion & Accessories Maisons. This high level of direct interaction enables us to better know our clients hence serve them better now and in the future. 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 24%, with double-digit growth in almost all regions, led by Europe and Japan, with an acceleration from the first quarter to the second quarter. Direct-to-client sales represented 83% of sales, a 3 percentage-point increase over the prior-year period as both retail and online retail sales outperformed.

The operating result rose by 22%, a direct result of strong sales growth, good gross margin due to pricing power and targeted investments into distribution and communication. Operating margin amounted to 37.1%.

Let us look at the main developments over the past six months. The Jewellery Maisons posted excellent performance across all product categories. Jewellery sales were sustained by iconic collections which included *Trinity* and *Clash* at Cartier, *Alhambra* and *Fauna* at Van Cleef & Arpels and *Opera Tulle* and *Macri* at Buccellati, to name a few. Watch sales included notable performance from the *Tank* and *Santos* collections at Cartier and *Poetic Complications* at Van Cleef & Arpels.

The retail network was further developed during the first half of the year. New openings included Chengdu Shin Kong Place and Singapore Marina Bay Sands for Buccellati, Nanjing MixC Mall for Cartier, Van Cleef & Arpels' first store in New Zealand in Auckland and first flagship store in Seoul Cheongdam-dong. The renovation programme continued, notably at Cartier, with New York Fifth Avenue and Paris rue de la Paix which reopened on 28 October after two years of major renovations. Buccellati's website was relaunched, with an enhanced user experience and a new e-commerce capability.

The segment's focus on sustainability continued during the period. Cartier, within the context of the Group's 1.5-degree climate strategy, reinforced its measures to reduce the environmental footprint of its worldwide operations by having all stores and manufacturing sites newly built or under renovation LEED certified, by working on sourcing 100% renewable energy and removing single-use plastics. Van Cleef & Arpels progressed in its objective of 100% RJC Chain of Custody certified finished goods products, with approximately three quarters of suppliers already certified. Buccellati is nearing completion of the process for becoming RJC certified.

Let us now review our Specialist Watchmakers business area, where sales in the first half grew by 22% versus the prior-year period. This solid growth was driven by double-digit increases in almost all regions and a strong increase in direct-to-client sales. Sales in all channels grew, with particularly significant growth in retail and online retail.

The operating result increased 35% to 506 million euros, leading to a 240-basis point operating margin improvement to 24.8%. This achievement was driven by solid sales growth and strong cost discipline.

All Maisons grew sales during the period, with excellent performance of iconic collections such as the A. Lange & Söhne *Lange 1*, Baume & Mercier *Riviera*, IWC *Pilot*, Jaeger LeCoultre *Reverso*, Panerai *Submersible*, Piaget *Polo*, Roger Dubuis *Excalibur* and Vacheron Constantin *Traditionnelle*. Direct-to-client sales increased to 54% this year from 47% of Specialist Watchmakers sales for the same period last year. As part of their network development, there was a net increase of 12 directly owned stores and 9 franchise stores, mainly in Europe and Asia Pacific. New openings included Panerai in Zürich Bahnhofstrasse, IWC in Dubai Mall and among the renovations Vacheron Constantin in Dubai Mall. There was also a continued development of e-commerce capabilities and services, with notably the go-live of e-commerce and customer relationship centres for Panerai and IWC in Mexico.

In terms of development within the multi-brand environment, the TimeVallée retail concept was rolled out further, with nine new boutiques in the first half of this year compared with seven openings in the first half of last year, almost all in China.

Finally, let me share that we have put in place a strong governance mechanism through a newly launched Specialist Watchmakers Sustainability Committee to provide our Watch Maisons with guidance and leadership on ESG topics. In September, the 'Watches and Culture Sustainability Forum' was held in Geneva to promote sustainability in the watch industry, notably around climate change, biodiversity, equality and inclusion.

Let us move to the 'Other' business area, which includes the Fashion and Accessories Maisons, Watchfinder & Co., the Group's watch component manufacturing and real estate activities. Sales rose by 27% year-on-year with most Maisons and regions posting significant increases. Regional growth was particularly noteworthy in the Americas and the Middle East & Africa. All channels saw higher sales led by wholesale, owing to increased recognition for renewed creativity and relevance from international wholesale buyers, notably from the US.

Operating profit amounted to 56 million euros, up 33% over the prior-year period. Excluding a real estate transaction in the prior-year period, operating profit grew triple digits. Operating margin was 4.3%.

Almost all Maisons recorded significant growth supported by strong contributions from both new and existing collections in our Fashion & Accessories Maisons. New collections included the Montblanc *Extreme* leather line, Chloé's Fall 22 and Alaïa's Summer/Fall 22 collections. Existing collections received notable contributions in clothing from *G/Fore* at Peter Millar, in leather goods from the Chloé *Nama* line and Delvaux *Lingot* Small bag as well as from Montblanc *Meisterstück* within writing instruments. Chloé recorded good growth alongside Montblanc that benefited from an improvement in travel retail and strong and successful product launches as well as stepped-up merchandising competence. Alaïa, Delvaux and Peter Millar have all seen particularly solid performances during the first half.

The Maisons have continued the upgrading of their retail network with notable retail openings including Chloé MixC Mall in Shenzhen, the first Delvaux boutique in the Middle East in Dubai Mall, and Peter Millar in Charlotte, North Carolina. Notable renovations included the Alaïa boutique in Dubai Mall as well as Montblanc's flagship store on the Champs Elysées in Paris.

Sustainability initiatives are also underway across the F&A Maisons and are focused on improving transparency and traceability of our products. Significant progress has already been achieved in leather.

Watchfinder, which is now part of the 'Other' business area, further strengthened its international operations with new shops in France, Switzerland and the US. To better serve our clients on a global basis, Watchfinder has a new servicing hub in Madrid and a US logistics hub in Dallas. There was a further roll-out of its watch trade-in programme through the Jewellery Maisons and the Specialist Watchmakers.
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 was up 27% on last year leading to an enhanced gross margin of 68.9%. The 140 basis points increase reflected favourable currency movements, geographical mix, and a larger share of retail sales as well as price increases that all together more than offset higher input costs and inflationary pressures throughout the supply chain

Let us now look at net operating expenses which rose by 28%, a rate slightly above the 24% sales progression rate. Given the particularly subdued level of opex increases in H1 of last year followed by a marked increase in H2, notably related to headcount, this is a good outcome.

Selling and distribution expenses increased by 27% at actual exchange rates and by 19% at constant exchange rates. They represented 22.8% of sales, a slight increase versus 22.3% of sales in H1-22. The increase was driven by higher retail sales affecting variable costs, such as leases and commissions, and the growth of the Group's retail operations.

Communication expenses were up by 33% year-on-year at actual exchange rates and by 24% at constant exchange rates, reflecting reinforced investments in communication to support sales growth and build brand equity. As a percentage of sales, they amounted to 8.3%. This ratio is 60 basis points higher than in the prior-year period but still below the more normalised range of 9 – 10% for the full year.

Fulfilment expenses, that is the costs of fulfilling online orders from our Maisons and Watchfinder, rose by 33% year-on-year at actual exchange rates. With YNAP expenses now shown in discontinued operations, fulfilment expenses represented only 1% of sales in the current- and prior-year periods.

Administrative expenses were 24% higher than in the prior-year period at actual exchange rates and 15% at constant exchange rates. The higher spending was in line with the increase in sales, and largely reflected a stronger Swiss franc, and increased logistics and IT related expenses. As a percentage of sales, administrative expenses remained at 8%, in line with the prior-year period. Overall, net operating expenses amounted to 40.8% of Group sales.

This leads us to operating profit, which, at 2.7 billion euros, increased by 26% reflecting higher sales, improved gross profit, and controlled operating expenses. As a result, operating margin increased by 30 basis points to 28.1% of sales.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs eased by 180 million euros to 202 million euros, mainly explained by two items. First, there was a positive 150-million-euro reversal in the line 'net foreign exchange gain on monetary items', moving from a 55-million-euro loss in the prior-year period to a 95-million-euro gain this half year. Secondly, fair value adjustments reduced by 88 million euros, reflecting reduced fair value losses on the convertible note and options related to the Farfetch investments.

Following the announcement of the agreement with Farfetch and Alabbar on 24 August to sell a controlling interest in YNAP, subject to a number of conditions, including the receipt of certain antitrust approvals, YNAP is reclassified to 'discontinued operations'. The assets and liabilities have been reclassified to 'assets held for sale' and 'liabilities held for sale' on the balance sheet while the results for the year to date are presented as discontinued operations. For comparative purposes, all prior year period and Q1 income statement figures have been represented to reflect this change. During the first half, sales from discontinued operations, mainly composed of YNAP sales excluding intersegment sales, increased by 11% at actual exchange rates and by 4% at constant exchange rates. Growth at YNAP was led by NET-A-PORTER and MR PORTER while YOOX grew revenues by mid-single digits and expanded its marketplace offering with the introduction of the Home and Art category. FengMao revenues grew at high double digits compared to the prior-year period with the NET-A-PORTER Tmall flagship store now retailing over 400 brands. Factoring in the 2.7-billion-euro non-cash asset write down, operating result from discontinued operations translated into a 2.9-billion-euro loss.

Profit for the period from continuing operations increased by 40% to 2.1 billion euros, mainly reflecting the higher operating profit. After the 2.9-billion-euro loss from discontinued operations, the loss for the period amounted to 766 million euros. Our effective tax rate for the first half of the financial year from continuing operations was 18%. It is in line with our expectations of the full-year tax effect, absent any special unforeseen items occurring in the second half of the year, and within an envisaged 18%-21% range.

Cash flow generated from operating activities was 241 million euros lower than the prior-year period, at 1 billion 540 million euros. The increase in operating profit from continuing operations was more than offset by additional investments in working capital, including in precious material inventories partly impacted by a stronger Swiss franc versus the euro, as well as higher levels of receivables due to strong sales growth.

Let us now turn to our gross capital expenditure. Investments totalled 377 million euros, a 38% increase over the prior-year period. At 3.5% of sales, capital expenditure was slightly higher than the 3.1% ratio 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 beyond the ones previously mentioned included Van Cleef & Arpels in San Francisco Geary Street, A. Lange & Söhne in Boston Newbury Street, Alaïa in Tokyo Ginza and Chloé in Shanghai Kerry Center Mall. It also included relocations and renovations such as Cartier in Seoul Cheongdam-dong, Vacheron Constantin at Dubai Mall, Delvaux in Paris St Honoré and Montblanc in Seoul Lotte department store.

Manufacturing spend increased to 19% of sales and was mostly related to Cartier and Van Cleef & Arpels to support their strong growth. Other investments made up 34% of capex and included IT investments predominantly.

Let us now turn to free cash flow. Free cash inflow of 808 million euros reflected lower cash flow from operating activities and higher capital expenditures mostly offset by lower net acquisitions of other non-current assets. The prior-year period included the investment in the China joint venture with Alibaba and Farfetch.

Our balance sheet remains strong. Shareholder’s equity accounts for 46% of the total. Net cash amounted to 4 billion 763 million euros on 30 September 2022, a 488 million euro decrease compared to 31 March 2022, which is more than explained by the dividend cash outflow. The dividend payment of 1 billion 851 million euros reflects an ordinary dividend of 2.25 Swiss francs per A share, plus a special dividend of 1 Swiss franc per A share, that was approved by shareholders at the AGM in September. The special dividend is a recognition of the excellent performance achieved and a gesture towards our loyal long-term shareholders.

CONCLUSION

Burkhart Grund: I would now like to provide an update on our sustainability programme, viewed through the ESG lens, starting with the E for Environment. In line with our ambition to reduce emissions, we are on track to source 100% renewable electricity for the Group before the end of 2025. In Europe, our objective is to reach a 10% energy savings target for gas and electricity in offices and boutiques for the next six months, compared to October 2021 - March 2022. This will be achieved by a series of energy saving measures, including reducing temperatures by a minimum of 1°C across all sites, 24 hours a day, switching off internal and external lighting after 10pm and ensuring non-utilised spaces, such as empty offices, are no longer heated.

A top priority for Richemont over the coming years is to safeguard biodiversity. We are currently working with biodiversity experts to conduct a materiality assessment to identify key materials and supply chain elements in terms of biodiversity impact. This will inform the Group's biodiversity targets as well as our strategy to meet these targets. We aim to finalise our biodiversity strategy in the latter part of 2023 and will keep stakeholders updated in due course.

Looking at the 'Social' element of ESG, we have reviewed and updated key internal policies to ensure that respect for human rights is embedded into our decision-making processes and our engagement with suppliers. One such policy is our Supplier Code of Conduct, which is required to be signed by our suppliers. The code now better reflects emerging best practice, notably in the areas of Business and Human Rights and whistleblowing. We are introducing this December the Richemont "Speak Up Platform", open to external and internal stakeholders, in line with UN Guiding Principles for Business and Human Rights and the EU Whistleblower Directive. In parallel, we are further refining our Human Rights Strategy.

Governance remains core to our sustainability ambitions and, with the appointment of our first Chief Sustainability Officer at the start of this calendar year, we have now embarked on the next phase of our Sustainability Strategy. This year's Sustainability report was redesigned around our ESG ambitions and will continue to be grounded in the UN's Sustainable Development Goals.

To prepare for the 'integrated reporting' requirements due in calendar 2024 i.e., our FY25 reporting, we have aligned the external assurance process for all voluntary and mandatory ESG reporting with our financial reporting.

We believe that companies should be a force for good in society in general, and the communities in which they operate, in particular. In this context, we are in constant dialogue with our key stakeholders to ensure alignment of objectives. Most recently, we have stepped up engagement with NGOs on the topics of climate, circularity and human rights.

In August, we announced a partnership between Farfetch, Alabbar and Richemont to accelerate our Maisons' 'Luxury New Retail' ambition and turn YNAP into a neutral industry-wide platform for the benefit of all brands and end-clients. At the completion of the initial stage, which is subject to a number of conditions, including the receipt of certain antitrust approvals, YNAP is to be co-owned by Farfetch with 47.5%, Alabbar with 3.2% and Richemont with 49.3%. Both Richemont Maisons and YNAP are to adopt Farfetch Platform Solutions or 'FPS', a leading integrated omnichannel platform.

For the Richemont Maisons, FPS will power their websites and provide an integrated solution between their online and physical retail operations. Several Richemont Maisons will also open e-concessions on the Farfetch marketplace, widening their offering to attract and retain more customers while optimising working capital needs and meeting brand partners' requirements to establish a direct relationship with end-clients.

For YNAP, this will help accelerate its shift towards a hybrid retail marketplace model. Accessing a technology natively built on 3P with integrations with most of the luxury brand partners YNAP works with will save precious implementation time.

An additional benefit for Richemont is to achieve economies of scale by running a single standard and benefiting from innovations across all stores simultaneously.

As for the next step, there will be no action taken until antitrust clearance is received. We will, in time, start studying how best to potentially adopt Farfetch Platform Solutions.

Lately, analysts and investors have asked how Richemont is likely to fare during a significant downturn, whether we have become more resilient compared to 2008. We cannot respond directly to that question given the number of unknowns, but we can highlight how different Richemont is today compared to 2008.

First, with more than 19 billion euros in sales and 3.4 billion euros in operating profit for our 2022 financial year, we have experienced a step change compared to FY08 sales and operating profit of 2.7 billion euros and 0.8 billion euros, respectively.

We have progressed strategically from being very wholesale distribution driven to becoming online and physical retail distribution focused. The proportion of wholesale sales has halved to 27%, online retail sales have emerged to reach 6% of Group sales. Overall, our direct-to-client sales have increased from 42% to 73% of Group sales. This high level of direct client interaction enables us to know who our end-clients are, understand their needs and receive insights on the evolution of the level of demand to appropriately adapt the Group's production and investments.

In 2008, watches were predominant, representing 48% of sales compared to jewellery at only 24%. Today, the weighting between watches and jewellery is more balanced, with jewellery having increased share to 48% of Group sales, and watches accounting for 37% of Group sales. With Cartier, Van Cleef & Arpels, Buccellati and Piaget, Richemont is in a strong position to capture the growing demand for branded jewellery in a market which is so vastly unbranded. It is not solely a matter of "Richemont versus peers", but it is "the branded versus the unbranded market" with the conversion to branded likely to be a strong sustainable trend.

We have continued to evolve our offering with both higher and more "welcoming" price points as well as different collections that appeal to different groups. This pricing architecture allows scalability across price points for our customers, and this with consistent and balanced pricing around the world and across our markets. Based on the prices seen at auction and strength of demand, many of our Maisons' collections have reached iconic status; the latest being *Submersible* at Panerai and *Traditionnelles* at Vacheron Constantin.

As we have strategically extended our global reach, the weight of the Americas and Asia Pacific has increased, such that these two regions contribute 62% of Group sales compared to 40% in 2008. Group sales are broadly equally split between Europe, Greater China and the Americas, with

Southeast Asia being roughly the size of combined Japan and the Middle East. This emergence of five engines makes the Group more resilient than in 2008. In terms of individual market, today the US is roughly the size of mainland China which, itself, is close to Europe, at around 2 billion euros each for the half-year.

We have been first movers to introduce better discipline in the management of our watch inventory, now managed through the sell-in/sell-out KPI. Our watch inventory within our multi-brand retailers and at Richemont continues to be in a healthy state today as a result. The quality of our watch distribution, with “fewer partners but more partnership”, has been enhanced.

In parallel, we have gained in agility and flexibility at our manufacturing entities and supply chain, enabling us to better adjust to meet changes in demand. The most visible displays of this were first seen during the Hong Kong events that disrupted sales in this important watch market and then, of course, during the Covid pandemic outbreak where we initially had to stop all non-essential production to subsequently ramp up as markets emerged from lockdowns.

As a result of this transformation, Richemont’s operational performance has been strong since we all entered the Covid pandemic. If we examine the performance of our watches and jewellery combined over the last five years, these two product categories have generated strong growth, delivering a CAGR of 11%, compared with 6% for the closest peer. Similarly, if we look specifically at the sales of watches as a product category, Richemont has outperformed the watch market looking at the Swiss Watch Export data, especially since 2019 whatever the price points.

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 showed excellent operational and financial performance with sales close to the 10-billion-euro mark, driven by double-digit increases across all business areas and distribution channels. Operating profit from continuing operations also increased by double digits to over 2.7 billion euros, translating into an improved operating margin of 28.1%. This solid performance was underpinned by a unique portfolio of enduring Maisons. All business areas grew markedly, by double digits, and profitably. The Jewellery Maisons consolidated their strength with a 37.1% operating margin; the Specialist Watchmakers’ ongoing transformation of their business model is successfully translating into higher profits with a 24.8% operating margin; and at the Fashion & Accessories Maisons within ‘Other’, almost all Maisons grew sales strongly and the business area generated a 4.3% operating margin. There, we are looking to build scale and invest for the long term.

In addition, with the agreement reached with Farfetch and Alabbar, we have progressed significantly in our ‘Luxury New Retail’ agenda: YNAP and our Maisons will adopt Farfetch Platform Solutions to realise their ‘Luxury New Retail’ vision; all conditional to duly receiving regulatory approvals.

Regarding sustainability, we are stepping up our ambition, refining our strategies and improving key internal policies. The team is working on all required ESG aspects to ensure we remain focused on delivering sustainable, responsible, and profitable growth.

Finally, we have a strong balance sheet to weather economic cycles and seize opportunities that may arise. Uncertainties abound, but we look to the future with vigilance and confidence. This concludes our presentation. Thank you for your attention. I will now hand back over to Sophie.

Sophie Cagnard: Thank you Burkhart. We will start the Q&A session shortly. Before raising your questions, please announce your name and company name. Please try to restrict yourself to two questions. The floor is now open for your questions.

QUESTIONS AND ANSWERS

Alice: We will now begin the Question and Answer session. The first question comes from the line of Ashley Wallace with Bank of America. Please go ahead.

Sophie Cagnard: Hello, Ashley.

Ashley Wallace: Good morning, hello, Sophie, hi, Burkhart. I have two questions actually. They're both around the gross margin bridge chart that you presented today, which was really helpful, and thank you for the incremental granularity. My first question just relates to the fact that within that bridge chart it shows that there is gross margin pressure coming from Utilisation and Other. Can you help us understand what exactly that is? Then my second question is on the FX and the impact on gross margin which was positive in half one. Can you help us understand a little bit how we should think about the FX factors going into your gross margin into the second half, and if that would still be a positive contribution?

Burkhart Grund: Let me answer. Morning, Ashley, let me just answer the first question first. That depends on how the exchange rates go in the second half, which we don't know, and we don't, as you know, project these out, so I cannot really answer that question. In regards to the first question, in the gross margin bridge, we have a positive FX impact, which we have flagged here in the gross margin bridge.Then we have today for the first half, and once again I'm careful on that, we have a favourable country and channel mix effect, which we have in the middle column there, obviously with Europe and Japan up and China relatively subdued or even down in real terms in the first half, we have a positive country mix coming out of that. Channel mix, more retail, less wholesale, also benefits, but to a lesser extent. In this column we also have aggregated the positive impact we see, or we have, from the price increases that our Maisons have done. Price increases have been in the area of 4% to 8% over this year, meaning the first six, seven months of this year, and we've done them in two waves.

The impact we have, that is you see a negative impact here in the third column, is exactly why we do these price increases, which is the adverse effect of raw material price increases, especially gold, where we see the biggest impact at the Jewellery Maisons. In our books gold price has increased over the prior year, impacting our gross margin now with about a 14% increase, so that is what we see in that third column, or fourth column.

Ashley Wallace: Okay, so it's mainly raw material price increases rather than under-utilisation of production is the bigger factor.

Burkhart Grund: Well, there is no under-utilisation of production. We are stretched on the other side, actually. We are still struggling in some of our Maisons to rebuild inventory, and there is no under-utilisation of capacities whatsoever. We're short in product in some areas.

Sophie Cagnard: Thank you, Ashley.

Ashley Wallace: Maybe connected to that, sorry, if you don't mind, Sophie, just one really quick follow-up.

Ashley Wallace: What was the amount of the precious metal purchase you made in the first half, in terms of the impact on inventory going up was to do with the precious metal purchases?

Burkhart Grund: Okay, that's an easy one. I mean, with the outbreak of war, or the invasion of Ukraine to be specific, we have obviously looked at critical inventory categories, in terms of raw material, and I think we've spoken at length in May about what we've done on the diamond-sourcing side, not only to be compliant, but also to diversify our sourcing strategy. We've also looked at other raw materials such as platinum, and rhodium, and we've increased our holdings of these raw materials. That's why we focus on cash generation, so that in challenging situations we can actually have the means at our disposal to upgrade or upsize our inventory holdings in these critical materials, and that's what we've done.

Ashley Wallace: Perfect, thank you.

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

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

Sophie Cagnard: Hello, good morning, Edouard.

Edouard Aubin: Yes, good morning, guys, and Edouard Aubin, Morgan Stanley, so congrats on the really great set of results. So, two questions on Jewellery Maisons' margin, because obviously that was a key topic of discussion during the full year results back in May. So, the first question, Burkhart, is you were able to more or less maintain a historic high, you know, operating margin level for Jewellery Maisons, despite the step-up in marketing, and I guess bonus as well. So, what were the offsets to that? Was it the gross margin expansion mostly, or you got some operating leverage as well? So, that's question one, and then looking ahead, if you look, on average the second half, I know that there is wide dispersion, but on average tends to be around 300 basis points lower than the first half. I know you don't like to guide, but is there any reason to believe that, you know, the seasonality would not be the same this year than in previous years, and more long-term related to that, again, I know you don't like to guide, but in the past you've indicated to the market that you think Jewellery

Maisons should be around 30% to 35% type of range, in terms of margin. Are you ready now to revise that part in the 35% to 40%, or at least in the around 35% type of long-term range? Thank you.

Burkhart Grund: Edouard, I can revise that to a 20% to 50% range if that helps your modelling. No, I mean, I think we're still comfortable with that range, especially given what we've been saying over a number of years now that it's a category in which you have to consistently deploy capital into, especially now into a category which, yes, has very sound underlying growth drivers, the unbranded versus branded part of the market is still quite big. It is and has become a category which as we've discussed a number of times over the last few years is highly attractive to competitors now, and, you know, we've always said that we are willing to spend whatever we need to spend to maintain our leading position. So, in that context that's the best I can give you, that we're still comfortable with that range at this point in time. Coming back to H1, yes, you're right, pricing power increased and hence gross margin has helped or enabled Jewellery Maisons to maintain their operating margin more or less in the same range above 37%. That has been what has played out here.

Now, the cost increases, and that applies across the board and across the business areas for the continuing operations, have mainly been driven by full-year effects of increased investment into people and store networks in the second half of last year. So, it's a two third/one third, so we have a full-year effect that explains more or less two thirds of the cost increase on the fixed cost side, and about one third is ongoing investments or additional investments in people and network. Guidance for the second half of the year, you know, (a) we don't really like giving guidance, (b) I think there are so many uncertainties out there that I'm a bit hard-pressed to be helpful on that element. You know the business cycle, you know the H1, H2 cycle, directionally that is what we're looking at, that we're going to have, on the operating contribution side, a lower second half than in the first half.

Edouard Aubin: Okay, thank you.

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

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

Sophie Cagnard: Good morning, Zuzanna.

Zuzanna Pusz: Hey, good morning, morning, Sophie and Burkhart. I have two questions.

Burkhart Grund: Jérôme and Cyrille.

Zuzanna Pusz: Sorry?

Burkhart Grund: Jérôme and Cyrille are here as well.

Cyrille Vigneron: Hello, Zuzanna.

Sophie Cagnard: And James.

Zuzanna Pusz: Ah yes, hello, hi, Cyrille. I have two questions. I think one you will like, the other one you may not necessarily like, so the first one is on the consumer. I've seen some headlines, you were talking a little bit about the consumer trading up, so would you be able to maybe share some high-level thoughts around what you're seeing by maybe age group, by nationality, anything interesting you could call out around the consumer behaviour? I think, specifically, if you believe that perhaps in an inflationary environment, jewellery and watches tend to actually benefit more, so that whole argument about higher cyclicalities even more float in this environment. The second question, which, sorry, I have to ask, but would you be able to give us maybe any colour on the exit rate? I know you don't like commenting on specific months, but we always have to ask and we always try to understand how we should think of the next quarters. So, anything high-level, if October was in line with Q2? Was it a bit lower, higher? Anything you could share would be very helpful. Thank you.

Sophie Cagnard: Thank you, Zuzanna.

Cyrille Vigneron: Hello, Zuzanna, so it's Cyrille speaking, so when it comes to the consumer, what we have seen in the past two years first has been very strong growth, it was two years ago on Chinese customers domestically, and lately also with American customers, whether they buy in United States or in Europe. Since last year we have seen, basically, coming up also customers from Japan, from Korea, Singapore, Thailand, Australia, so basically everywhere. In age group we have seen also across the board an increasing trend from young customers to buy expensive pieces. Basically with my own customers, a tendency to go upmarket, we see on strong products and brands, so ours, but not only ours, waiting lists on key products or on limited edition or on launches. So, this has been basically in all countries. So, we see more, yes, are trading up, and then increasingly young customers coming on our radar.

This has been also visible, I'd say, in new developing areas, and I mentioned Southeast Asia, Middle East, Far East, coming back, our Japanese customers, very sharp from this year, and we see not only that for watches and jewellery, but also other categories. If you see the result of the key players in the market, I guess some fashion and accessories are also doing well. The key is more to have strong brands and Maisons compared to the others. It's not only for watches and jewellery, but watches and jewellery are doing pretty well.

Jérôme Lambert: Jérôme Lambert speaking, for how were the last weeks after the semester, what we can see from the end of the semester is very strong trend in retail, two digit maintain. We see it in many geographies, as we highlighted as well in the report, and it has no change. So, while China is still under pressure, we see a very solid and strong development in many other continents. Burkhart highlighted Japan, Middle East, South East Asia, Europe, so it's broadly on that. We know that we are meeting in November and December very strong comparative ahead of us, and that's what we have to see.

Burkhart Grund: I think that's a very good point, Jérôme, that you make. Remember our Q3, which is the Q4 calendar year, is not only, in general terms, our biggest selling quarter, but also we've had very strong growth across many of the geographies that are still performing well today. So, we're running against tough comps here, but as Jérôme said, broadly in line, but with a normalising trend due to higher comps after the close of our second quarter.

Sophie Cagnard: Good.

Zuzanna Pusz: Makes sense, thank you very much.

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

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

Sophie Cagnard: Hello, Louise.

Louise Singlehurst: Hi, good morning, morning, everyone.

Burkhart Grund: Morning, Louise.

Louise Singlehurst: Can you hear me okay? Great, thank you. You must all be absolutely delighted with the performance of the first half, so thank you for taking my questions. Two follow-ups for me if I could do. Just on the margin point, Burkhart, I suppose the key question is just to double-check, and I think I know the answer from the commentary that you've given, but is there any particular phasing of costs from first half into second half? It sounds as though there was quite good cost control in the first half, but any particular projects we should be aware of going into the second half, or we think we're back to a normalised phasing, just to make sure it's a normal path, a seasonally fertile second half? Then the second question was a follow-up to Cyrille, if I may, on the cohort, particularly at Cartier. Are you seeing a slow-down in the number of new customers coming onboard? Is it more of a point of getting a higher spending within existing customers, or any points across the regions or categories that you can call out between the watches and jewellery side? Thank you.

Burkhart Grund: Yes, Louise, Burkhart here. On the first question, nothing to flag up at this point in time.

Cyrille Vigneron: On our side, so we don't see a slowing down on the range of new customers, we see across buying trends for both new customers and young customers and existing ones, so there's no change there.

Louise Singlehurst: Great, thank you, and could I just ask a quick follow-up on pricing? The 4% to 8%, can you just remind us where you are in terms of the regional pricing differences? I know that you always try to have a global price policy, but given the move in FX is there more scope for price increases, I guess, in the obvious place being Europe? Thank you.

Cyrille Vigneron: It's Cyrille again, so we try to stay with bandwidth of about 0% to 5% on pricing before tax. With the currency move, tend to be slightly higher than that in the United States and in

China, and so when we do price increases we take into account the natural price differential coming from currencies as well, meaning not to have necessarily all across, but mostly in the regions of course with a European base, and then to see, depending on the country and currency, how to adjust in the best way possible.

Burkhart Grund: Louise, remember, we always target a very tight band around the either European or Swiss anchor points for prices. It's been more challenging obviously the last 12 months or six to 12 months than in previous periods, but we still stick to that pricing philosophy and apply it.

Louise Singlehurst: Great, thank you.

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

Alice: The next question comes from the line of Charmaine Yap with Redburn. Please go ahead.

Sophie Cagnard: Hello, Charmaine.

Charmaine Yap: Hi, there, good morning. Yes, I also have two questions, number one is can you talk about your presence or exposure in Hainan, please? Are you present there? Is it through wholesale arrangements? How big is it? Just to give us a feel, and how has that developed after the disruptions in August? Then also a follow-up, in terms of the consumer. You talked about newer consumers, younger, but also do you think that this is a reflection of anything that you've done, in terms of product marketing, price points, or do you think it's just a reflection of the strong brand that you've nurtured over the years? I'm trying to get a feel of, was there anything special or materially changed from the product and branding side of things, or is it just a strong consumer? Thank you.

Jérôme Lambert: Jérôme Lambert speaking. Hainan indeed is a very interesting territory, or has been, as well, a very interesting territory for its quick growth over the last two years. Having said that, our Maisons are present there through a franchisee and external partner, so here our exposure is linked in this case to the wholesale top-line development and dynamic. We monitor always the stock there, so somehow the evolution of the sales will reflect in this case the evolution of the sell-out without stocking effect. As you can see as well, the growth in the last quarter and in the whole semester has been more driven by retail, and somehow the less important issue of Hainan in our business is being largely compensated by the dynamic in retail. That's what you have already seen during the whole H1, and for the time being we don't see a worse or better trend for the months to come. There is a place where that's even more volatile, in this volatile world it's definitely Hainan. It's fully under control and it is being fully absorbed, as you can see in the numbers during H1.

Cyrille Vigneron: It's Cyrille speaking, so Hainan had been strongly developing and it's a priority of the Chinese government and infrastructures both in Sanya and Haikou in the north, there are many developments of malls, and so in the mid-term it will be one of the important trading areas, with also free trade agreements between the rest of mainland China. So, we continue to invest, mostly indirectly, because you cannot have a full licence now in both Sanya and Haikou, and in the short-term it remains volatile, but probably would be one of the areas would be open first, and probably we'll resume trading quite rapidly when the anti-Covid policy softens. So, that's just for Hainan, so it will remain a long-term growth and short-term volatile move. When it comes to the overall change in customer base there are two things. Of course all the elements to doing some global rebranding exercises that we did in the past five years have borne fruit, and so being well in demand for younger customers. Overall, and thanks to awareness and development of social media, we see an appetite from young customers to expensive products and coming to watches, for instance, very early stage to collectors' pieces and so forth.

So, we see that for us, but also our colleagues in the watch division. So, there are two factors, of course how the brand itself can be demanded and relevant for young people, and on that we do pretty well, and on the other side the appetite for young customers, for sophisticated pieces that they are looking for. We see especially Middle East, in China, now also in Korea, where young customers go for pieces that we would expect them in the past to come later in their life cycle.

Jérôme Lambert: To confirm what Cyrille says and for the other watch collections, there is strong growth in the last 12 months primarily coming from this younger generation in the new geographies, with this new multi-locale approach, indeed that's something we can confirm.

Charmaine Yap: Thank you. Can I just follow up to see in Hainan do you mean you are there just in watches, or do you also have presence in jewellery through wholesale arrangements, franchisee, rather than multi-brand? So, is it both categories or just watches?

Cyrille Vigneron: Jewellery as well, so we have another brand boutique in Sanya, which is dealing everything, so it's just a franchise store, but it's doing everything, and there will be new stores coming in Haikou.

Burkhart Grund: It's just the same model that is applied by the regulatory environment. We cannot step out of that. Obviously we would prefer to run our own retail operations.

Cyrille Vigneron: There are some areas in the region where travel retail is also operated through partners.

Sophie Cagnard: Thank you, Charmaine, we can move to the next question.

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

Sophie Cagnard: Hello, Luca.

Burkhart Grund: Morning, Luca.

Luca Solca: Hello, Sophie, good morning, good morning to you all, and thank you for taking my question. Again, Luca Solca from Bernstein. I wonder if you could give us a bit of perspective on Chinese demand, with a focus on its reactivity. What we see from our own analysis of in-store traffic is that once lockdowns are removed consumers come back quite quickly, and so I wonder if you see any underlying slow-down or macroeconomic-related reason to be more prudent about Chinese demand coming back, or is the current performance in China, in your understanding, more related to Covid-19 lockdowns, and if they were removed then Chinese demand could be coming back rather quickly. The second question is on what you've been reporting this morning, that you to continue to be alert on M&A opportunities. I remember that at one point you mentioned that you feel, or Mr Rupert mentioned that he agreed, that in fashion and leather goods there's a need for Richemont to build scale. I wonder if M&A could potentially be a tool to address that issue, or if you're focusing now your M&A attention to the luxury portion of the market. Thank you very much indeed.

Jérôme Lambert: Thank you for the question. Jérôme Lambert speaking. Just for China it's a very large question, and in China if there is one thing that we've been learning throughout the last not only three months, but 30 years, it is that it's a country where new theories are written every month. So, I won't try to write a new one a priori. What I can say is that we see a stronger demand in e-commerce, and a quicker path, since the end of summer. So, if it would have to give a signal that the demand is in China present and is strong, it's probably a factor that we could highlight, and an element that could bring us to say that without measures linked to the zero-Covid policy, we could bring a potential positive element. You know that travel in China is today very disrupted, and of course we see a lot China's world international tourism, but the in-country tourism or the in-country travel is very, very important for our activity, for our retail, for activity into the country, but also for an island like Hainan or others where the activity has been very disrupted by the measures. So, if measures are removed there will be less barriers to our business, less disruption, and it will ease the business. That's what I would say from do we read something there.

Cyrille Vigneron: It's Cyrille, to add on that, if we would remove the stores that were closed on a like-for-like base for the stores open, it would be still in positive territory. We have done a High Jewellery event in Shanghai, and those customers who could come in were very buoyant and it had a very good result even compared to previous years. So, if all the stores got reopened we can get the results to be better than what they were. Can there be some impact on the overall economic disruption? We don't know, and we have to see how the softening of the Covid policy brings, if it lasts, and how it can come in the next month, but we cannot guide on that, we have to see how it unfolds.

Burkhart Grund: Sorry, Luca, and on your second question, I mean, I can't really be helpful here. I can only say, no change in our approach. We monitor, we look at all the opportunities that might present themselves in the market, and then take a view on that basis. Can't be more helpful than that.

Luca Solca: Fair enough, thank you very much indeed.

Sophie Cagnard: Thank you, Luca. Moving to the next question, please.

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

Sophie Cagnard: Good morning, Antoine.

Antoine Belge: Yes, good morning, good morning. A few questions on China. I think in Q2 Asia was at 6%, but was a China negative, and also you mentioned that negative mix impact from China under-performing. Can you remind us why the gross margins are low in China, and by how many points? Finally, a question maybe for Cyrille, because you touched upon China reopening internally, but what would be, in your view, the consequence of Chinese travelling again in Europe, in the rest of the world? Is it pretty neutral for you because you tend to have the same price and it would be just a transfer of consumption, or do you think that for some reason it would lead to more spending from the Chinese overall? Thank you.

Burkhart Grund: Yes, Antoine, let me just try to tackle the first two questions. First one, China in Q1 was highly negative, around 30% down in the first half, meaning our second quarter. China was up 9%. This is at actual rates, so if you go back to constant rates, actually China in the second quarter was flattish, very, very low single digits actually, so basically on the same level. We don't break out profitability levels by market or by major market, but what we do have is we have higher landing costs in China, as we all have, which over time will gradually lower because there agreements, for example, in the watch space, over a 10-year period of time to reduce duties, so it's a duty-driven impact, in this case positive, or slightly positive, that we have on our gross margin in the first half. The third question on China, if outbound travel restrictions fall and what would be the impact, let's say, on China itself and on other regions, speculative, but I'd probably hand that over to my colleagues, either Cyrille or Jérôme.

Jérôme Lambert: Historically, when a border reopens, it brings the demand to a higher level, at least during a period of time. There is the opportunity of travelling, the opportunity of changing your journey, and creating available time for shopping. There's always a positive impact, at least at the start, on the demand level.

Cyrille Vigneron: We can expect this to restart first in Asia, so Chinese travelling to Hainan and Hong Kong, and Korea, and Thailand, and Japan. This probably will create a positive move. Europe would come, probably, later. As far as the Chinese economy, which has been constrained, it then has to expand, and then this expansion will create global demand that will increase. It's difficult to know which part will be in domestic China and which part will be just nearby, but we can expect Chinese customers to grow, especially if the RMB remains high, which is quite likely, for the time being.

Burkhart Grund: Yes, and this is just expressing our view, based on, I'd say, past experiences. Travel has flight net increase of purchasing. Secondly, regional tourism has been very much the focus of our mainland Chinese customers pre-Covid, meaning Japan and the other geographies, so, in a way, the near-abroad for mainline Chinese customers. Hainan is a completely new dimension now, compared to three to five years ago. That we'll have to find out together. Then there might be a higher proportion of sales that remain within China, but we simply don't have these data points yet. That needs to be proven. All of that is on the assumption that, at one point in time, the zero Covid policy in China is weakened, and international travel, both outbound and probably, for business purposes, inbound is lifted or improved. These are a lot of what-if scenarios. Obviously, we discuss them. Obviously, we're prepared for that, but, today, the growth that we have over the last 12, 18, 24 months is mainly driven by local customers. We see a very strong shift in Europe. If you look at the performance of Japan, for example, right now, it's almost 100% driven by local customers, a tiny bit of travel coming in but most of the performances you see are driven by local customers.

Antoine Belge: Thank you very much. One slight follow-up, because some of you are quite bullish about Chinese travel internationally. Doesn't that pose an issue on the way you will maintain the good experience for the local consumer in Europe? In Europe, for instance, I think your sales are now back to normal, without Chinese. There's probably going to be a bit of an issue about the traffic in the store.

Burkhart Grund: Antoine, just one disclaimer here. We're not bullish. We're just saying, "What if?" What if zero-Covid is weakened or abandoned as a policy? What if mainland Chinese customers travel again? This is what we have observed and experienced in the past, and this is what, based on current knowledge, we would expect to happen, in terms of flows again. We have not expressed our view on a quantum of it, etc. Let's just be very careful here. We're still in a very early step with the measures announced this morning. They are weakening. We don't know what the impact can be. We'll have to find out.

Cyrille Vigneron: To add on that, as I say, the proximity move will probably go faster. To come to Europe, the Chinese visitors need to have a visa, and they need to also have a travel agency to have the licence to move, and to book the capacity. Usually, when things reopen, there is at least six months before things can really materialise. As you probably now, the airline companies and airports-, many also have problems in addressing volumes and number of passengers. Again, the aircraft also have to re-expand their capacity, and then the hotels as well, and many-, there will be a part where things will re-develop, mostly close to China, and then probably to Dubai, and then probably, later, to Europe, so we'll have time to see how it comes. It will not come overnight. It cannot, because of visas, and because of airplanes, and because of travel agencies.

Antoine Belge: Thank you very much.

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

Alice: The next question comes from the line of Rogerio Fujimori, with Stifel. Please go ahead.

Rogerio Fujimori: Hi Sophie, Burkhart, and James. I have a follow-up on the Jewellery Maisons, and the Specialist Watchmakers. For the Jewellery Maisons, what is the magnitude of the contribution to growth we should expect for the full year, from the increased retail space, based on H1 and the pipeline of re-openings for H2? I can see, in slide 43, four internal openings for Cartier, six internal openings for Van Cleef & Arpels in H1. We're aware of the big flagship re-openings recently, and it looks like the US is a big priority for the company. If you could elaborate on that, it would be great. Then, on Specialist Watchmakers, I think you recently disclosed that Vacheron Constantin was approaching the one billion revenue mark. Do you see, actually, the high-end watch Maisons, like Vacheron Constantin, outperforming the more aspirational watch brands, like, say, Baume & Mercier or Montblanc, or has the performance been uniform across price segments? Related to this greater scale in Specialist Watchmakers, is the mid to high-teen percentage still the long-term margin potential for this division? Thank you.

Cyrille Vigneron: I will first answer. It's Cyrille. We have to realise that our retail network has been very stable for the past four or five years. We have gone to a full renovation programme, and so we reopened. There were some relocations, some scrap and build policy, but, overall, there is not a geographic expansion. We think, in the coming months of future, there are some more areas where we need more mini-stores, but not so many, and it will not come so much in the next half. The growth is organic growth of demand developing, and fortunately, also, the renovated stores are well-received by our customers, and they perform well. It's not a question of expanding the network, it's just organic growth. On the Jewellery Maisons, I think it's probably similar, even if Van Cleef & Arpels had a very compact network and is expanding a little bit more.

Burkhart Grund: If I may just step in quickly, I fully agree with what Cyrille has said, that it's more a scrap and build with a very slight extension. Van Cleef & Arpels is, I would say, finalising their footprint over the next few years, where they have some stores to open, or geographies to cover in Europe. And third, Maison Buccellati is a very different story, very different phase of their growth cycle, or expansion cycle. Actually, we have opened some stores in China and South East Asia, first store in the Middle East, to actually cover white spots. We're really in different phases of the lifecycle here.

Jérôme Lambert: When it comes to the Specialist Watchmaking Maisons, we have more than one Maison at a large size. I won't comment on the information you mentioned saying one Maison is close to a certain level of turnover. What I would more tend to say is that we see growth in a large number of Maisons within the Specialist Watchmakers, and it's more linked to other factors than just size. One that's common between all of them is to be multi-local. If you build your dynamic on more than one territory, with the volatility that we know these days, you have a better chance, on the long-term period, to benefit from factors. China, US, Middle East, Europe can have differentiated growth trends. The second factor is definitely the capability for these Maisons to accelerate their direct-to-client dimension. Some of our Maisons have quickly accelerated their direct-to-client approach. You have, in the appendix in the presentation of today, the boutique, and the evolution of the boutique per Maison. It will give you a good reading of, through that, who can have quick growth. As you mentioned, Baume & Mercier, the Maison has been quite vivid, quite strong, in its growth rate this year, for its small size, at the small scale. The iconisation with the Riviera is quite successful. At their own scale, and their own contribution, they are not below the trends that we see with the others. It's more multi-local, more DTC, and more iconisation, and the strengths of this iconisation, that create differentiated growth. Size is less of a matter, in a particular year, like this year, with the volatilities that we have around.

Burkhart Grund: I agree. Rogerio, your last question, let me just remind you what I said. Mid-term, we said we see there's a potential to go from a range of 17 to 20, or to go to the higher-end of that range, and then we'll take stock, and we will have a look at what we believe is the right level of investment that we need to put into these Maisons, and where it will bring us, in terms of operating contribution. That might well go above that level. As Jerome was saying, as we have said over many years, we are building the Maisons for the long-term. We have to invest consistently into our

Maisons, so that we are able to build brand equity. That starts with a product, and that continues across the quality of our distribution, be it physical or digital, because only strong brand-equity with strong products will drive top line and actually pricing power. That is what the Maisons have been doing in the watch space over the last five to six years. It was a painful decision to buy back the inventory, to address quality issues in the distribution network, but as we said in our presentation, we believe that both watches in the Specialist Watchmaker division, at Cartier-, which were facing the same challenges, that these strong actions that were taken, and the very consistent, disciplined execution of the strategy ever since, has led to a strong enhanced brand-equity. Iconisation of product lines drives desire and demand for these watches to higher levels. That is what we've been experiencing, reaping the benefits of past decisions over the last few years. This transforms, today, into enhanced operating contribution. You see the numbers for the half year.

Obviously, for the full year they won't be at that level, as we know. We have a strong investment cycle in the second half, with Watches and Wonders. We have a higher communication spend in the second half, but, directionally, we are seeing that we have rebuilt operating contribution, and we expect that to continue. When we reach the 20%, we'll have another conversation.

Sophie Cagnard: Thank you Burkhart. We'll move to the next question please.

Alice: The next question comes from Carole Madjo, with Barclays. Please go ahead.

Carole Madjo: Good morning. Carole Madjo from Barclays. Just a question from me, I guess to follow-up. The first, I just want to come back on the Watchmakers, and mostly the expansion towards DTC. Is there any limit to how far you can go here? Do you have any target in mind of how big DTC can be versus wholesale? That's the first question, and then the second question, just to come back on pricing- I think you mentioned this 4% to 8% price increase year-to-date, but can you come back on whether or not you plan to do more price increases for the rest of the year? Thank you.

Jérôme Lambert: Good morning, Jérôme Lambert speaking. It's a very interesting question, because there are many models around, as you know well, and you have Maisons today out of Richemont that are only wholesale, or at least there is one big one who has a crown in its name is quite known, and you have Maisons that tend to be completely retail, or like the AP offer or Richard Mille completely. If you take Richard Mille Maison, in this case, within our portfolio of the Baume Maison, we have the different models. There will be, always, one limit, which is, in certain territories we don't have subsidiaries, and we have a presence, and it's a franchisee shop with a partner. There will be, most probably always, the remaining 5% to 10% for most of the Maisons that will remain structurally, in terms of business. Is there a limit to retailisation, which is internal shop, external shop? For certain Maisons, no. For certain of our Maisons, distribution will be quasi exclusively mono-branded, because, from their side, from their exclusivity, from the service, they need to give, in terms of scarcity of product. Mono-brand shops with partners, or internal boutiques, is the best solution. Not to forget that the digital penetration is progressing as well, for the Specialist Watchmakers, and the growth rate in digital sales, or in e-commerce, for the Specialist Watchmakers is very, very strong, very large, two digits. It's still a small penetration rate, but it's very, very strong. I would say, for certain Maisons, no limit, towards retailisation.

Having said that, for many of the Maisons, we'll keep an hybrid model, and we'll keep an approach where we'll have internal boutiques, franchisees, and multi-brand, because they have a very large number of clients, and they have quite a spread of that clientele in many, many large territories and geographies. If you take the US, and you take Maisons like IWC or Panerai, we want to give a good service to our clients all through the US, and we have an excellent partner to make it. Therefore, we'll have, as well, external boutiques next to our internal boutiques, and in certain geographies as well, some remarkable and very strong multi-brand shops. Here, again, the channel is not the driver for us. The driver is always the client. For certain Maisons, the best way to get to the client, the best route to the end client, is not firstly and always the direct one. Having said that, as well, we opened a flagship boutique with IWC in Zurich, more recently in Dubai, and they are doing amazing commercial activity. Besides that, some of these boutiques, as yearly traffic, that pass the hundreds of thousands of visitors. The impact that you have, in terms of bringing new clients to your boutiques, explaining your world and your environment, at the scale which is five digits, in terms of end clients, or end prospects, or people being interested by the product, it's unique. That's what DTC can bring as well. What DTC brings is an additional source of growth for Maisons.

Sophie Cagnard: There was a question on pricing.

Cyrille Vigneron: When it comes to the pricing before December, which is not a good moment to change, but, after that, we will act if necessary. There are some inflationary trends, and the price of gold, which is also priced in dollars, and diamonds, and then the overall inflation of cost of goods. We also have in mind a lot of our costs of goods is in Swiss francs, which is pretty strong as well. If we need to increase it again, we might, but we'll see in the coming three to five months.

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

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

Thomas Chauvet: Morning everyone. A few follow-ups please, firstly on the US consumer. I think, in the media interview this morning, Cyrille Vigneron was quoted as saying US consumer was slowing. Are you seeing a bit more volume pressure in entry price points, which is what some of your fashion peers are experiencing? I think Cyrille mentioned, earlier, there was trading up towards higher price points. Secondly, last month one of your shareholders requested the chairman, Mr Rupert, to elaborate on the succession plan. Mr Rupert discussed it in a press interview to Finance and Wirtschaft.

Thomas Chauvet: I'll repeat the second one. Sorry about this. Last month, one of your shareholders asked for Mr Rupert to elaborate on the succession plan that he referred to in a press article, in a press interview to Finance and Wirtschaft. I guess you don't intend to respond to the request, and Mr Rupert is not here today, but is there anything you want to add to that? Just to follow-up on the profitability of the watch category, can you comment on whether Cartier watches were more profitable than your Specialist Watchmaker business in the first half, and is that now a reflection of scale, higher DTC penetration, maybe the share of Quartz watches in the mix? Thank you.

Cyrille Vigneron: This is Cyrille speaking. Don't get me wrong. I didn't say that US customers were slowing down. It's the growth rate has been, as Burkhart mentioned, normalising, meaning it's still double-digit growth on high comparable. The growth percentage is a bit softer than before, on high comparable. It doesn't mean the customer is slowing down. They're not. They continue to grow, and they grow in the US, and they grow also in the rest of the world where they have been very buoyant, especially in Europe. In terms of entry price product, we don't see any pressure, meaning all categories have been growing. We are even facing some shortages in some products. There are no big differences in our product category. We are in the Fine Jewellery segment, and we are not in silver, we are not in price points that might have a different kind of customer base. We don't see that.

Burkhart Grund: Thomas, on the second question, you're right, we do not have a comment to make on that. The third question-, sorry, can you remind me what-,

Sophie Cagnard: Profitability of Cartier watches compared to the Specialist Watchmakers.

Cyrille Vigneron: We don't break down profitability but having watches and jewellery which are strong means it's been profitable on both sides. We don't break it down by product category.

Sophie Cagnard: Thank you Thomas.

Thomas Chauvet: Thank you.

Sophie Cagnard: Thank you. We can move to the next question please. That will be the last question, I think, given the time. Maybe two more. Alice, can you bring the next person in?

Alice: The next question comes from the line of Patrik Schwendimann, with Zürcher Kantonalbank. Please go ahead.

Sophie Cagnard: Hello Patrik.

Patrik Schwendimann: Hi Sophie. Patrik Schwendimann from Zürcher Kantonalbank. Good morning, Burkhart, good morning Jérôme, Cyrille, and James. A question maybe for Cyrille. What do you think is the current percentage part of branded jewellery, and how much was it two years ago? That's my first question. Second question, the global luxury consumer still seems to have enough money to spend. What do you think are the reasons behind that? Thank you.

Cyrille Vigneron: The difference between jewellery and watches is that we have less global view on the market. For watches, as most of the luxury watches come from Switzerland, and there are some statistics of Swiss export we can measure quite well, the market share. When it comes to jewellery, many things are not so visible, so it's difficult to draw a global part. Safe to be that branded jewellery, overall, would be at 20%. The more we come to the part that is more fine jewellery, it's higher, because many players are producing some cheap products. You have to see, also, whether you consider some brands as branded or not, especially in China. Would you consider Chow Tai Fook, Chow Sang Sang, Luk Fook a part of that activity? That's quite difficult. In Japan, whether you consider Mikimoto and Tasaki, probably yes. If we consider Yondoshi or Vendome Aoyama, probably no. So, it's a bit difficult to draw specific lines in there, and say what it was two years ago and what it is now. What I will say is the attraction for branded jewellery is growing, and growing basically everywhere, but we don't have formal statistics to say we can measure them precisely.

Patrik Schwendimann: Thank you Cyrille.

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

Alice: The next question comes from the line of Rey Wium, with SBG Securities. Please go ahead.

Rey Wium: Good evening. I'm glad that I (talking over each other 58.48).

Sophie Cagnard: What time is it for you?

Rey Wium: Very late.

Burkhart Grund: You're in Australia. I'll be there in two weeks.

Rey Wium: Wonderful. Just a quick one on the online sales growth. It was 9% as opposed to the group sales of 16%, so that lagged. Also, if I tie that with the expansion of brick and mortar stores, am I reading it right, between the lines, that you are probably getting a bit more optimistic, again, of brick and mortar versus online, or is this just a temporary situation?

Jérôme Lambert: Jérôme Lambert speaking. Thank you for your question, particularly at this time of the day for you. Just one thing to keep in mind, you have-, and you're close, geographically. In China, in March and April, partly May, we had, this year, a very severe disruption of all the supply chain, and digital penetration is important in China, and China is an important territory. The performance is also reflecting these weeks of quasi interruption of e-commerce, and, in proportion, China is more important in e-commerce than retail, brick and mortar retail of China, in the absolute total. Here, you have a distortion created by that relative importance. When it comes to digital expansion, I think that-, well, not only I think, what we have been investing, this year, in the development of our call centres all around the world, in the different continents is showing that we remain very active in creating this new route to clients, more hybrid than ever, where our direct contact with people from our Maisons, in brick and mortar, or through the phone, is important, or more system sales throughout everything that has been built recently, and will be further built with Farfetch for the future. I would tend to say that we remain quite equal, and quite balanced, in the approach, but we do believe, 100%, that it's very strategic and crucial to keep investing in the new route for clients.

Burkhart Grund: If I might add to that, I think it's also just a market or customer reality today, that we're still a bit in a reopening phase. We spoke about Japan. Once you're able to serve your customers in your stores, you have a very strong increase in store traffic, and a normalisation of traffic in your online stores. If you look at external reference points, the online distributors, they all have had a boom in the first 12, 18 months of Covid, and have, in the last 12 months, seen a return to much lower growth rates. Usually, if you look at our revenue line, somewhere in the low to mid-single digits, which is the current growth rate across most of the online industry. That means, yes, there is a trend back into stores. Obviously, we then have markets that are disrupted, like China. What we see, through rolling lockdowns, is that online is actually growing stronger. It's really that dynamic that is playing out. The nature of the retail store engagement with customers has changed a bit, over the last 12, 18 months. We have many more appointments, which actually drive the transformation into sales range much higher, because, actually, the customer treatment is enhanced. It's prepared, it's suited to the customer's needs, the product assortment is targeted, so the customer remunerates that with a much higher transformation rate, into sales, but the digital or the retail-, you can look at it from two different perspectives.

You can see it as separate distribution channels or you can see it as one distribution channel, and it doesn't really matter where the transaction happens, it is purely the customer's choice. Our obligation around that-, our conviction is that we have to build this multi-stakeholder ecosystem around the customer, and then the customer chooses at which given point in time he or she will transact, in a physical store or in a digital store. We really see it as one channel.

Rey Wium: Excellent. Thank you very much.

Burkhart Grund: Thanks Rey. Have a good night's sleep.

Jérôme Lambert: Thank you very much.

Sophie Cagnard: I think this now concludes our Q&A session. Thank you very much for your participation. We look forward to speaking to you very soon and obviously, in the meantime, to read your analyst reports. Have a good day, bye.