

RICHEMONT

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Speakers

- Johann Rupert, Chairman
- Nicolas Bos, Group Chief Executive Officer
- Burkhardt Grund, Chief Finance Officer
- Alessandra Girolami, Group Investor Relations Director

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INTRODUCTION

Alessandra Girolami:

Thank you, Sandra, and good morning, everyone. Thank you for joining us for Richemont's half year results presentation for the period ended 30 September 2025. Here with us today are Johann Rupert, Chairman, Nicolas Bos, Group Chief Executive Officer, Burkhart Grund, Group Chief Finance 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, Alessandra. Good morning to everyone. Thank you for joining us today.

Richemont delivered solid results in the first half in a complex macroeconomic and geopolitical environment. Sales for the period reached €10.6 billion, up by 10% at constant exchange rates and by 5% at actual exchange rates.

Operating profit stood at €2.4 billion, up by 7% compared to the prior-year period, or up by 24% excluding the significantly adverse foreign exchange movements. Operating margin reached 22.2%, improving by 30 basis points.

Profit from continuing operations, at €1.8 billion, was 4% higher than the prior-year period.

Cash flow from operating activities amounted to €1.9 billion.

Finally, our net cash position remained very robust, at €6.5 billion after the €1.9 billion dividend paid in September.

Turning to our highlights, starting with the top line. The Group posted double-digit growth at constant rates, led by continued success at Jewellery Maisons and sustained local demand across most regions. In the second quarter in particular, the Group and its Maisons experienced strong momentum, with sales up by 14% at constant rates.

In Q2, we saw higher sales across ALL business areas, including a remarkable 17% increase at the Jewellery Maisons. Sales at the Specialist Watchmakers were up 3%, posting their first quarter of growth in almost two years, whilst sales at our 'Other' business area rose by 6%.

In addition, all regions posted double-digit increases in Q2, including Asia Pacific, supported by a return to growth in China.

In the period, the Group showed its ability to maintain a robust financial position.

Operating profit in the first half increased to €2.4 billion, reflecting the positive contribution from the strong top line growth, combined with effective cost discipline. This was achieved despite external headwinds, including unfavourable FX movements, increasing raw material costs and to a lesser extent,

the initial impact of additional US duties. Consequently, the Group maintained a solid net cash position, at €6.5 billion, an increase of €0.4 billion over the prior-year period.

In this context, our Maisons continued to demonstrate agility while investing for the long term. Showing their persistent drive for creativity and product innovation, they introduced strong novelties with craftsmanship at their core. They further nurtured their brand equity through impactful yet disciplined communication spending. They continued to cultivate future growth prospects through strategic investments. This drove a higher share of our Capex envelope towards internal boutiques and manufacturing capacities, primarily for the Jewellery Maisons.

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-over-year changes at constant exchange rates. Most regions posted solid performances in the first half, benefitting from double-digit growth across all regions in Q2, led by strong local demand.

Sales in the Americas maintained their momentum throughout the first half and posted 18% growth, with strength across all business areas, all channels and all markets in the region. Of note, Jewellery Maisons and Specialist Watchmakers posted double-digit performances, while several Fashion & Accessories Maisons showed encouraging signs. In Q2, the Americas region posted its seventh consecutive quarter of double-digit growth, with sales up 20%. The Americas made up 25% of Group sales, up from 23% in the prior-year period.

Asia Pacific returned to growth in the first half, up by 5% compared to the prior-year period, fuelled by a 10% rise in the second quarter. Of note, sales in China - Hong Kong and Macau combined - stabilised in the first half, with a notable improvement to 7% growth in Q2, led by the Jewellery Maisons. The performance was solid elsewhere in Asia Pacific, with notable double-digit growth in the South Korean and Australian markets. Sales in Asia Pacific made up 32% of Group sales, down from 34% in the prior-year period.

Sales in Europe increased by 11%, driven by double-digit growth at the Jewellery Maisons and single digit increases at the Specialist Watchmakers and Other. All major markets in the region posted higher sales, notably in Italy. Growth was led by strong local demand in addition to a positive contribution from tourist spending, particularly from the American clientele. Overall, the performance in Q2 was consistent with that of Q1, at +11%. Sales in Europe represented 24% of Group sales, a tad higher than the 23% in H1-25.

Japan ended the first half with sales down by 4%, after returning to double-digit growth in the second quarter, led by an acceleration in local demand, particularly at Jewellery Maisons. Tourist spending, while improving in Q2, declined in the first half, reflecting demanding comparatives and a stronger Japanese yen. Japan's contribution to Group sales decreased slightly to 10%, compared to 11% in the prior-year period.

Middle East and Africa posted the strongest regional growth for the period, with sales up by 19%, slightly ahead of the Americas. The performance was led by the Jewellery Maisons, with positive Specialist Watchmakers' sales at constant rates. All markets were up, with the United Arab Emirates being the key contributor. Sales in the region made up 9% of Group sales, in line with the prior-year period.

The largest contributors to sales growth in value terms were the Americas, and Europe, each adding over €200 million in incremental sales, followed by Middle East & Africa, with a contribution of over €100 million.

Combined with broadly stable sales in Asia Pacific and a limited decline in Japan, the Group was able to generate over €500 million of additional sales in the first half, despite a significant negative impact from currency movements.

Let us now turn to sales by distribution channel, with growth expressed at constant exchange rates. Overall, the three channels experienced broadly similar performances in the first half, leading to a stable contribution from direct-to-client sales at 76%.

Let's start with retail, which accounted for 70% of Group sales, unchanged from the prior-year period. Sales rose by 10% driven by double-digit growth at the Jewellery Maisons and mid-single digit growth at the Other business area, while sales at the Specialist Watchmakers declined slightly. All regions except Japan posted solid performances, led by double-digit growth in the Americas and Middle East & Africa.

Online retail, at 6% of Group sales, grew by 7%. A strong performance at the Jewellery Maisons more than compensated for softness in the Other business area. Sales at the Specialist Watchmakers were broadly stable in the period. All regions posted growth, led by Europe.

Now moving to Wholesale, which includes sales to external mono-brand franchise partners and third-party multi-brand retail partners, sales to agents and royalty income. Wholesale sales represented 24% of the Group sales and were up by 9%, supported by growth at both the Jewellery Maisons and the Other business area. By region, the strongest contribution came from the Americas, Europe and Middle East & Africa.

Now back to you Alessandra.

BUSINESS AREAS

Alessandra Girolami:

Thank you, Burkhardt. I will now review the business areas, with all comparisons at actual rates unless otherwise specified.

Let me start with the Jewellery Maisons, which include Buccellati, Cartier, Van Cleef & Arpels and Vhernier. Sales reached €7.7 billion, an increase of 9% in the first half. At constant exchange rates, sales were up by 14%, with all regions posting double-digit growth, except for Japan which was nearly flat. Q2 was particularly strong, with sales up 17% at constant rates, after a very solid +11% in Q1. In the first half, sales grew across all distribution channels. The Jewellery Maisons generated an operating result of €2.5 billion, up 9% versus the prior-year period, or up by 21% at constant exchange rates.

Facing significant adverse currency movements, higher raw material costs and to a lesser extent, the initial impact of additional US duties, the Jewellery Maisons implemented balanced price increases, while aiming to maintain long-term value for clients. In parallel, they continued to invest in their network while managing their costs effectively, as demonstrated by the level of communication expenses, only slightly above the prior year levels.

Coupled with strong top line momentum, this allowed the Jewellery Maisons to mitigate the unfavourable impact of external headwinds, resulting in a stable operating margin, at 32.8%. Let us now look at the main developments over the past six months.

Both jewellery and watch collections posted strong growth, fuelled by the success of timeless lines, such as Opera Tulle and Macri at Buccellati; Clash, Panthère and Santos at Cartier; and Alhambra, Perlée and Flora at Van Cleef & Arpels. Blending heritage with creative spirit, the Maisons pursued persistent innovation to foster desirability. Cartier launched its new branding campaign featuring the Panthère, and later in September, the Love Unlimited line, bringing a bold new look to the Love collection that was imagined over 50 years ago. Also in September, Van Cleef & Arpels displayed their artistic and craftsmanship savoir-faire with the launch of their new Flowerlace jewellery collection.

In the first half, High Jewellery sales were supported by impactful and curated events in Europe and Asia for the En Equilibre collection at Cartier and l'Ile au Trésor collection at Van Cleef & Arpels, while Buccellati hosted exclusive events in Italy.

Vhernier has now celebrated an intense first full year within the Group. The performance is very encouraging, and the integration is progressing as planned. Vhernier has now internalised several boutiques and refurbished one of its ateliers, among other initiatives, thereby continuing to build a strong foundation for future growth. The Jewellery Maisons continued to upgrade and expand their network in strategic locations. Notable renovations included Cartier's boutique on Collins Street in Melbourne, while key openings featured Buccellati at the Mall of the Emirates in Dubai, and Van Cleef & Arpels on Goethestrasse in Frankfurt.

Let us now turn to Specialist Watchmakers, where sales were down by 6% in the first half. At constant exchange rates, sales were down by 2%, with a notable return to growth in Q2 at +3%. Regional performances continued to show contrasting trends. Double-digit growth in the Americas partly offset lower sales in Asia Pacific and Japan, two regions that, combined, accounted for over 50% of sales in the prior-year period. Of note, all regions improved sequentially in the second quarter. By channel, retail and wholesale experienced slightly lower sales, while online retail was stable at constant rates. The operating result amounted to €50 million, corresponding to an operating margin of 3.2%. Gross margin was impacted by the combination of unfavourable foreign exchange movements, of which the weaker USD and the stronger Swiss franc, rising gold prices and an initial effect from higher US duties. Ongoing cost discipline, visible through a slight decrease in operating expenses, partly mitigated the de-leveraging impact of lower sales on the fixed operating cost structure.

Reflecting their varied regional footprints, the Maisons experienced mixed trends. However, they maintained a 100% sell-in/sell-out ratio over 12 months, demonstrating disciplined inventory management. Novelties, drawing on the Maisons' strong heritage and showcasing their craftsmanship, contributed positively. The Lange & Söhne Odysseus Honeygold limited edition, for example, was fully allocated within one week of its launch. IWC introduced new references of the Ingenieur and Pilot's watches. Jaeger-LeCoultre released the Reverso Duoface Small Seconds and Piaget its new jewellery watch collection, the Sixtie. Of note, Piaget has seen five of its creations nominated for the 2025 Grand Prix d'Horlogerie de Genève, which recognises watchmaking excellence. 2025 also marks the 270th anniversary of Vacheron Constantin, celebrated through worldwide events and new launches. Worth noting is the creation La Quête du Temps, a mechanical marvel seven years in the making and currently displayed at the Louvre, showcasing the Maison's ability to combine history, craftsmanship, and engineering.

In parallel, while the overall number of stores was largely stable in the first half, the Maisons continued to enhance their network. Notable examples included IWC's new boutique in Taichung in Taiwan, Vacheron Constantin's strategic relocation in Seoul, and Jaeger-LeCoultre's major renovation at the Kuala Lumpur Pavilion.

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. Overall sales were down by 1% at actual exchange rates but rose by 2% at constant exchange rates. Regionally, Europe was a main contributor to growth, and trends in the Americas were encouraging. By channel, sales in both retail and wholesale increased slightly. Growth at constant rates was driven by a double-digit rise at Watchfinder and modest growth at the Fashion & Accessories Maisons. Trends improved sequentially across all regions in Q2, leading to a 6% increase in sales at constant rates.

Overall, the 'Other' business area reported an operating loss of €42 million. F&A Maisons posted a €33 million loss, improving at constant rates thanks to controlled operating expenses, while continuing to invest in the desirability and visibility of the Maisons.

Turning to Maisons' highlights. Alaïa saw its sales grow by double-digits, fuelled by sustained success and brand heat of its icons such as La Ballerine and Le Teckel. It is also worth highlighting the continued solid performance at Peter Millar, thanks to its lifestyle positioning and success in its Crown Crafted collection. Chloé saw improved momentum, led by ready-to-wear, confirming that its strategy to reconnect with its roots is resonating well with clients. Overall, ready-to-wear across the Maisons achieved double-digit growth in the first half, fuelled by a sustained focus on creativity. Montblanc made progress on its transformation program, comprising a greater focus on Writing Instruments and Leather Goods categories in direct-to-client channels, while streamlining its wholesale network. Gianvito Rossi has been increasingly recognized as a leading global luxury female footwear brand, underscored by the enthusiastic reception of its latest 'Golden Edge' fashion collection. The Maisons continued to enhance their distribution networks over the period. Openings included Chloé in Saint Tropez, Peter Millar expanding to San Diego and Columbus, and Watchfinder launching its first US internal boutique in Soho, New York City.

This concludes the review of the first half performance of each business area. Burkhart, over to you.

FINANCIALS

Burkhart Grund:

Thank you, Alessandra. Let me walk you through the rest of the P&L, starting with gross profit. Gross profit increased by 2% to €6.9 billion and represented 65.3% of sales, a decrease of 190 basis points compared to the prior-year period.

This is the result of several moving parts, that have evolved considerably in the past six months. Starting with our production costs, that were affected by rising raw material prices, particularly that of gold, and to a lesser extent this period, higher US duties. With a time lag between production and effective sales, our inventory levels acted as a partial natural hedge in a period of rising material costs. Compensating for the higher production costs, we benefitted from positive impacts related to pricing and favourable sales mix.

This was not sufficient, however, to compensate for the material adverse currency movements of a negative 180 bps we faced in the first half, notably driven by a weaker USD and Chinese Renminbi, next to a strong Swiss Franc, one of our main manufacturing currencies.

Before we move on to the rest of the P&L, let me add a few words on US duties. In H1, the impact of increased US tariff rates was limited to some €50 million thanks to our proactive inventory management since April and due to the phasing of the implementation of different tariff rates – starting with 10%, then 15% for Europe-made products, followed by 39% in August for Swiss-made products.

With this phasing in mind, we anticipate a greater unfavourable impact in the second half, particularly if the 39% tariffs on Swiss-origin products are maintained. Based on the current levels of our US inventories and planned shipments, we estimate the full adverse impact of the increased US tariff rates to be around €0.3 billion for the current fiscal year.

Let us now look at net operating expenses, which were stable compared to the prior-year period in value, and increased by just 3% at constant exchange rates. Operating expenses stood at 43.1% of sales, down 220 basis points, driving positive flow-through from higher sales. Selling and distribution expenses were up by 3%, or by 6% at constant exchange rates. The rise in costs was primarily related to continued retail store network expansion, as well as salary increases. As a percentage of sales, selling and distribution expenses were down 70 basis points. Communication expenses decreased by 4%, or 2% at constant rates, reflecting the Maisons' efficiency in allocating their resources, and to a lesser degree, some impact from the phasing of specific events from one year to the next. As a percentage of sales, communication spend was 8.2%, down 80 basis points and below our typical range of 9-10%.

Administrative and other expenses decreased by 2% at both actual and constant rates. They amounted to 9.2% of sales, down 70 basis points, reflecting lower valuation adjustments and fewer non-recurring costs than observed in the prior-year period.

This resulted in an operating profit of €2.4 billion, up by 7% at actual exchange rates, and by 24% at constant exchange rates. Overall, the strong sales growth contribution and the effective cost control mitigated the impact of external headwinds in the first half, namely of unfavourable foreign exchange movements, the sharp increase in the price of gold, and to a lesser degree, additional US duties. As a consequence, operating margin remained robust at 22.2%, a 30 basis-point improvement versus the prior-year period.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs reduced slightly, to €158 million for the first half, down from €173 million in the prior-year period. The €15 million improvement is mainly comprised of the following items: On the one hand, higher net FX losses on monetary items for €162 million, primarily due to a weak USD, in addition to the impact of lower fair value adjustments, for €129 million. The latter relates to the Group's investment in externally managed bond funds and money market funds. On the other hand, more than compensating those two items, was a €326 million increase in net gains on FX hedging activities.

Turning to "discontinued operations", which consists of YNAP until the completion of its sale on April 24th of this year. Profit for the period stood at €17 million. As a reminder, last year's result included a €1.2 billion non-cash write down related to the transaction. The figures presented here are the estimated final closing adjustments related to the disposal, our 33% stake in LuxExperience being now recorded as an equity-accounted investment.

Let's now review the profit for the period. Profit from continuing operations stood at €1.8 billion, 4% higher than the prior-year period. This included the rise in operating profit and the improvement in net finance costs that I have just described. The evolution of the share of equity-accounted results was down €34 million, primarily reflecting lower gains than in the prior-year period on equity-accounted businesses, and to a lesser degree, the result of our stake in LuxExperience, which was included for the first time. The group's effective tax rate for the first half stood at 19.5%, in line with our expectations for the full year, absent any special unforeseen items occurring in H2. Finally, profit for the period was €1.8 billion, up from €0.5 billion in the prior-year period that included a €1.2 billion non-cash write down from discontinued operations.

Cash flow generated from operating activities came in at €1.9 billion, an increase of €600 million compared to the prior-year period, driven by higher operating profit and lower working capital requirements. Indeed, inventories rose, but less than in the prior-year period, notably as the Jewellery Maisons experienced strong sales growth. Specialist Watchmakers also demonstrated effective production management, contributing to controlled inventory levels. To a lesser extent, higher cash inflows from foreign exchange derivatives also contributed to the reduction of working capital needs.

Let us now turn to our gross capital expenditure, which amounted to €0.4 billion and represented 3.6% of Group sales. While Capex was broadly in line with the prior-year period, a higher share was allocated to distribution and manufacturing. The investments in our distribution network, dedicated to renovations, relocations and openings of directly operated stores, represented 55% of gross capital expenditure, a share eight-percentage points higher than the prior-year period. The share of manufacturing spend increased to 30% of overall capex, compared to 24% in the prior-year period, the investment mostly related to the Jewellery Maisons. Other investments represented 15% of capex, down compared to the prior-year period, the decrease mainly reflecting the completion of several non-commercial Maisons projects.

Let us now turn to free cash flow. At €1 billion, free cash flow was about €0.8 billion higher than in the prior-year period. The increase primarily reflected the €0.6 billion benefit from cash flow from operating

activities that I described earlier, in addition to the non-recurrence of last year's real estate acquisitions in London.

Our balance sheet remained solid. Shareholder's equity accounted for 54% of total assets. Net cash amounted to €6.5 billion at the end of September, down €1.7 billion compared to the end of March 2025. This decrease is more than explained by the €1.9 billion dividend cash outflow in September that reflected an ordinary dividend of 3 Swiss francs per A share, which was approved by shareholders at the latest AGM.

CONCLUSION

Burkhart Grund:

Before turning over to the Q&A, I would like to offer some concluding remarks.

Richemont delivered solid results in the first half, in a complex macroeconomic and geopolitical context. Our sales growth, largely fuelled by sustained local demand in most regions, speaks to the strength of our Maisons' positioning, built with consistency over time. And we will continue to nurture their brand equity and cultivate their potential, through investing in quality locations and manufacturing capacities. While we continue to navigate uncertain times and face demanding comparatives, we maintain the course and remain focused on leading the Group with the same discipline as in the past. We have full confidence in our talented teams' dedication to continue to enchant our clients with craftsmanship and creativity at their core, to deliver sustainable value creation for all our stakeholders.

This concludes our presentation. Thank you for your attention. I will now hand back over to Alessandra.

Alessandra Girolami:

Thank you Burkhart. We will now start the Q&A session. Before raising your questions, please announce your name and company name. Please try to restrict yourself to two questions.

The line is now open for your questions.

QUESTIONS AND ANSWERS

Operator:

The first question comes from Edouard Aubin from Morgan Stanley. Please go ahead.

Edouard Aubin:

It's Edouard Aubin from Morgan Stanley. First of all, congratulations, obviously, for the strong set of results. And Mr Rupert, congratulations for the opening of the Fondation Cartier building in Paris. I think it's really stunning. And for your support of the art world.

Just going back to the question, Burkhart on the exit rate and the start of Q3, which I know you don't really like to comment about, but if you could comment in terms of how things have been trending over the past few weeks. You're going to be facing a much higher, much more difficult comparison basis for the quarter ending December, particularly in the US. Are you already seeing some slowdown on the back of that and so on? That would be question number one.

And then question number two on the gross margin, which was down 190 basis point. Burkhart, if you could just, I know you've helpfully provided a profit bridge, but on the input cost inflation, and particularly related to gold, if you could provide a little bit of colour, because ahead of the results, people were struggling a bit with the modelling. And related to that, you've helpfully quantified the tariff headwind for H2, which I guess is €250 million. The consensus is currently assuming a lower rate of decline for the gross margin, only 150 basis points in H2. Does that seem realistic, given that the tariff impacts should be substantially higher in H2 versus H1? Thank you so much.

Burkhart Grund:

Good morning. Let me try to help you within the limits of what we usually do. Forward looking and looking at Q3 sales, you know that we will not give you that colour because there is too much uncertainty going forward. What I can point out is, and remember that we had a very strong third quarter last year, growth of 10%. And I think we're confident, again, in the long-term prospect of our Maisons. But we cannot, at this stage, give you any indication of our trading.

The performance across the second quarter was pretty uniform with a bit of slightly higher growth in the month of September. But that has something to do also with past year's comparison. Really, nothing much to add to that.

Now, the gross margin, I think we have been giving some indications. Let me try to be helpful. Overall, we have a 190 basis point drop in the gross margin in the first half, out of which 170 basis points really are linked to the FX impact, so the translation effect. And it's a mixed bag between, obviously, weaker dollar and dollar-linked currencies. But also, for example, the renminbi, to a much lower extent, the Japanese yen this year, and some other currencies, such as the Korean won, for example, combined with the relative strengthening of the Swiss franc, which is one of our major manufacturing currencies.

The other drivers in the first half are about 20 basis points negative, all combined. The biggest downward pressure on the gross margin came from gold, which is just about north of two percentage points. And as we as we pointed out, for the time being, a very minor impact from US tariffs, around €50-plus million, which, as you know, is linked to the inventory cycle. It sits in inventory today, and will then, when we sell the inventory, be recycled into the cost of goods line later. The stock revaluation and price increases for the time being roughly compensate for these negative impacts. That's why the overall decline of the gross margin not linked to FX, is about 20 basis points in the first half.

Now, on tariffs, we will not speculate about that. We know the current rates. And answering your question, and actually your question is answered through what you put on the table, saying, is that realistic to estimate that gross margin will be weaker with a weaker drop in the second half, if we have a disproportionate impact of tariffs? I think the answer lies in the question there.

Edouard Aubin:
Ok great, thank you.

Operator:
The next question comes from Antoine Belge from BNP Paribas. Please go ahead.

Antoine Belge:
Good morning, it's Antoine Belge, BNP Paribas. Two questions. First of all, can you talk a bit about China, Chinese, Greater China? It's a bit complicated. In Q2, I think Greater China was at 7%, my understanding is actually Hong Kong and Macau were quite strong. Was mainland China locally a bit positive? And what about the mainland Chinese class, if you take into account maybe the impact of tourism? And more generally, what's your view on China? Is the improvement just easy comps? Are you seeing some macro impacts, better consumer confidence?

And my second question is a bit of follow up on the topic of gross margins. I understand that there will be some headwinds that are going to be greater in H2, but you passed quite hefty price increases, I think, in September. Could you quantify those? According to our estimates in September globally. For Jewellery Maisons, it was around a high single digit coming on top of around 3%. I'm slightly surprised by the comment that the gross margin would be declining by more than they did in H1, because there should be, at least in my opinion, more impact from pricing. Am I getting something wrong here? Thank you very much.

Nicolas Bos:
Hello, Antoine, Nicolas Bos here. I will try to answer your first question, although everybody would love to have a final view on China and its evolution. We've definitely seen an improvement, particularly in the last quarter. Definitely on the region, what we refer to as Greater China, as you mentioned very well, it was driven by an improvement of business in Hong Kong and Macau, both touristic, so mainland Chinese travelling to Hong Kong and Macau, and also domestic clientele, particularly in Hong Kong.

All in all, we see, I don't know if it's a stabilisation, but we are back to a positive performance for the region, including slightly positive in mainland China on the very end of the period, and clearly driven by the Jewellery Maisons. In general, we've seen some repatriation of purchasing, notably from Japan to Hong Kong, for our mainland Chinese clients. And it will be difficult to predict the future, but it seems that we are now at a more stable level of purchasing from our Chinese clients.

What we see at large, but maybe it's a wider discussion, is that there is an evolution of consumption in China, connected probably to the economic situation, but also to an evolution in taste, where we see Chinese clients becoming much more demanding, discerning, and differentiating when it comes to their choice of brands and connection that affects positively Jewellery Maisons. We still see on some of the watch Maisons a more challenging situation. And what we foresee, if we're able to foresee anything, is that it's really a market that is reaching another new level of sophistication and of quality of demand, very much at par with what we see in the rest of the world. And that has an impact, really brand by brand, category by category, collection by collection. But all in all, it seems to be quite stabilising.

Burkhart Grund:
And, Antoine, just picking up on your second question. We're not going to guide on any gross margin in the second half, because we have uncertainty and volatility on currencies, on gold, etc. What we have pulled out, or pointed out is that at current rates, we will have a disproportionate impact of tariffs in the second half. As for the first half, we have been shielded by inventory holdings and proactive inventory management. That's really all I can say on this topic.

Antoine Belge:
The median price increases, could you maybe confirm that what was taken in September, that high single digit global number for Jewellery Maisons, is that what happened?

Nicolas Bos:

As you noticed, we had some price increases because we discussed it before, that we want to maintain price increases as limited as possible, because for us, keeping the affordability of certain collections and the attractiveness of the Maisons is really what comes first. But regardless, we had to implement some price increases. There were some in May, low single digit, there were some in September, particularly for Cartier, quite limited on a worldwide basis, to try to reflect some of the increase in the price of gold, notably. But then including also some specific local adaptation, we need to keep in mind that the dollar has depreciated 8% in one year. We need also to maintain fair international pricing and reflect the evolution of exchange rates. That came on top of the slight international price increase.

We haven't seen a true impact in desirability or traffic in the stores, meaning by that, that we didn't necessarily notice a specific spike of purchasing before the price increase nor a decrease afterwards. We believe it's because it was quite reasonable. And the desirability of the collection comes really first. We'll see in the second half how that unfolds.

Antoine Belge:

Many thanks.

Operator:

The next question comes from Thomas Chauvet from Citi. Please go ahead.

Thomas Chauvet:

Good morning, and thank you. A couple of questions, please. The first one, a follow up on pricing and maybe your pricing philosophy. Nicolas, you said you're trying to maintain affordability and to try to limit price increase, because obviously, you can't cut prices once you've increased them, so you're very careful. Nevertheless, do you think the consumer, not just in China, but globally, is also starting to buy jewellery a bit differently than in the past, for other reasons than the beauty of the Cartier, Van Cleef design, or the emotional value that you talked about before, or simply gifting purposes, or the big events of life, but also as a commodity investment?

So, very strategically, to invest as more than a store value, but maybe even an investment in an unprecedented rising gold and precious metal market. And how would you react to that? Because we've seen some of your Chinese luxury competitors, if I can call them competitors. We know that where they operate, Laopu, Chow Tai Fook, they increase prices by 20% today, tomorrow, mechanically, they'll reduce prices because gold prices have decreased. I know that's not how Richemont operates, but we are in a very different gold market now, so curious to hear your thoughts.

And secondly, perhaps also for you, Nicolas, or for Mr Rupert, it's been over a year that Nicolas, you've been appointed as Group CEO. Are there any areas that you've identified where the group, or perhaps the individual business areas, divisions could do differently, could evolve, could be a bit more efficient? Obviously, there's been huge cost efficiency in the first half, as we know. Could you share some high-level thoughts on your also, perhaps, portfolio review, particularly within specialist watches and fashion accessories? Are there any obvious brands that may need financial or strategic support or brands that you think maybe might prove challenging to turn around? I'm thinking perhaps dunhill, Montblanc or Roger Dubuis? Thank you.

Nicolas Bos:

Thank you very much for your questions. I think that that would require probably a few hours to answer. But starting with the first one, the pricing philosophy has not changed. We really believe in what we call fair pricing, which is that the price of any of the creation should reflect its intrinsic value. And, of course, we need also to take into account variations in the price of raw materials and exchange rates.

I have to correct what you said. It does happen that we decrease prices, and it has happened in the past, because that fair pricing policy includes that as well, so it has happened. It's true, it's not something easy to implement, but it does happen. And on the very high end, high jewellery, exceptional watches,

we do actually adjust prices up or down on a monthly basis from European pricing that we translate into local currencies. We have fluctuations that can go up and down. Of course, the primary focus is to limit the increases, to make sure that the fair pricing is still there and the attractiveness of the collections is maintained.

We will continue to look at that. We really, truly believe that our clients have a really precise understanding and assessment of value. And unlike what we sometimes hear, it's not because a piece is expensive and a client or collector has significant resources, that elasticity is endless and that the price doesn't matter, on the opposite. We are very attentive to that, and we will continue to do so. I don't know if that answers your question.

Thomas Chauvet:
Thank you, yes.

Nicolas Bos:
On the second part, maybe Johann will want to say something. But what I can say is that, and we talked about it before, Richemont is very much about long term and continuity. And then I came after more than 30 years already in the Group, so I'm not here to make any form of revolution. I think that's not expected at all. We've seen a period where we had very, very unexpected and strong phenomena during COVID, after COVID, that actually led to very, very strong ups and downs in performance across the board. And we were seeing also global purchasing trends in Asia, in America and Europe.

What we see in the last period, clearly in the last year, year and a half, is that we come back to a much more differentiated performance by brand, by category, by collection, by geography. In a way, back to what we used to see before that whole period, and the pre-COVID and COVID period. What I'm very, very attentive to with all of my colleagues is to make sure that we maintain or sometimes bring back all of our Maisons to really their core identity, their core expertise, that they all are very, very distinctive offer and complementary offer. We don't see today a global phenomena where everybody does well or everybody is challenged anymore.

And my belief and our belief at Richemont is that each and every brand is much stronger when they are occupying their respective territories. And, of course, the territory of expression of Panerai is different from Lange, and the one of Jaeger-LeCoultre is very different from Vacheron Constantin. Same for the Jewellery Maisons or the Fashion and Accessories Maisons. This is the primary focus to make sure that they are already playing in their specific respective fields, and then taking with Burkhardt and the team and all my colleagues, a very differentiated approach. Some of them are very successful, mature international brands. Some of them require still some more support because they are in the development phase.

Some of them are in a redevelopment in some areas, you were mentioning dunhill with its new and I would say fantastic designer, Simon Holloway. We also talk about Montblanc, where we do a lot of work with Giorgio Sarné, the new CEO, and the team, to see how Montblanc can re-evolve around the art of writing and the expertise in leather. And you've seen with renewed communications and identity, where we try to bring back Montblanc, in a way, to its core expertise.

This is very much the long-term work, but nothing, at the end of the day, different from the previous decades, I believe.

Thomas Chauvet:
Very useful. Thank you, Nicolas.

Operator:
The next question comes from Erwan Rambourg from HSBC. Please go ahead.

Erwan Rambourg:

Hi, everyone, and congratulations on such a standout performance. If I could just make a comment. You're sounding very low, volume wise. And I don't think I'm the only one suffering from this. If you don't mind speaking slightly louder. I'll keep it to two questions, as asked. One on Van Cleef. We've had pushback from people who are bearish, talking about the Alhambra dependence, ubiquity, potential fatigue. Obviously, you're probably fed up with this, Nicolas, since you've probably heard these comments when you were running that brand. But I'm wondering if you could talk about maybe relative performance within Jewellery Maisons. I suspect Buccellati is booming from a low base, but can you compare and contrast what you're seeing from Van Cleef relative to what you're seeing at Cartier, please?

And then second question on Cartier. Obviously, a management change there as well, with now Louis being in the seat, replacing Cyrille. I'm wondering if you could talk maybe about, I know there's no revolution going on, but maybe what the areas of focus can be and what has changed? I think people looking at the group from outside will possibly think that there's greater SG&A discipline at Cartier. That would maybe be a bit simplistic, but what would you call out in terms of maybe the two, three focus points for Louis in running Cartier?

And if I can cheekily add another very small question related to Cartier. LOVE Unlimited seems to be a pretty resounding success. Should we consider this as permanent or more animation on the range? Thank you.

Nicolas Bos:

Thank you very much. It's a lot of questions. And, of course, we don't discuss so much performance and results by Maisons. Of course, on the Van Cleef & Arpels side, I need to answer. I don't feel any fatigue about Alhambra. I've been seeing quite a few of them for 25 years, and I believe that most of our clients and stakeholders share the same view. To have an icon is a blessing. It's very often referred to as liability, is there a risk attached to it? At the end of the day, it's a blessing. The brands that do have iconic lines, in jewellery, in watches, in ready to wear or accessories, are usually the ones that are very successful on the long term, if they manage to maintain the desirability and the creativity around this iconic line.

I can talk about Alhambra for some time, but I'm not going to. But it's, to me, an extraordinary collection that's been here for more than 50 years and has offered over this more than five decades, almost endless opportunities for creativity with sizes, colours, styles and that will continue. And we see that there is renewal within that collection, and that's why they appreciate it.

Needless to say, Van Cleef & Arpels, like other Maisons, is working on other collections. We've seen collections like Perlée. We were talking a bit earlier in the presentation about Flowerlace and Flora collection, some of the watch collections also at Van Cleef & Arpels that established themselves around Poetic Complications. Alhambra is not the only collection, far from that, but it's true that it's probably the most recognisable and iconic one, and it's something that we will continue to develop and protect.

At Cartier, the same. Cartier is blessed with having several very iconic collections. LOVE is definitely one of them, created pretty much in the same period, Alhambra in '68 and LOVE in '69. And LOVE Unlimited is actually a very important development within that universe of the LOVE collection. It's not the way I see it with the team, an animation, it's really a new expression within LOVE. LOVE is a bangle bracelet. And for the first time, it has become supple and articulated. And I believe personally, and I like jewellery, as you know, it's a fantastic piece. And fantastic collection, even with my Van Cleef years, I have to say and to acknowledge it's truly a fantastic collection.

And we've seen the response among existing clients of the LOVE collection, all new clients actually, entering the world of Cartier. And it's so far a very, very positive response. We'll see how it goes, but we believe it's here to stay for the long term. And the team is already working on further development around LOVE Unlimited.

As for Louis and Cartier, I think Louis is doing a very good job. The transition with Cyrille is going on extremely smoothly, and I pay tribute to both of them. Cyrille is still very involved with some activities at Cartier, if you think of the Women's Pavilion and all the philanthropic and artistic activities of Cartier, and they work really hand in hand with the current team.

Once again, Cartier, as the other Maisons, is evolving and adapting to this new environment, I mean, there is always a new environment. And typically, the slowdown in China, which was a very, very strong market and still a very strong market for Cartier, is something that the team is really addressing now. And to see how we can make sure that Cartier will be ready for the next phase of the luxury industry in China. We've seen the strength of Cartier in America, in the United States, which is quite impressive over the period. And they're also working there, renovating and improving the retail network and operation. He has a lot on his plate, but it's very much, once again, a question of continuity with the previous management and the whole history of Cartier. And I'm quite confident it will continue to be very successful.

Erwan Rambourg:

Very useful. Best of luck. Take care.

Nicolas Bos:

Thank you very much.

Operator:

The next question comes from Jon Cox from Kepler. Please go ahead.

Jon Cox:

Thank you. It's Jon Cox with Kepler here. A couple of questions for you. The first one, just on you had a very tight grip on costs, including on the CapEx side of things, in the first half of the year. Clearly, an unprecedented environment, potentially maybe looking a bit better with China and Hong Kong coming back. Just wondering how we should think about the costs going forward in terms of you guys have a fantastic track record. When things get a bit more difficult, you tend to look very closely at costs and cash flow and that sort of stuff. Is it more about maybe relaxing a little bit more?

Johann Rupert:

It's Johann here, Jon. What makes you what makes you think that it's during tight times that we look at cash flow and cash.

Jon Cox:

I know you do all the time, Johann, I'm sorry.

Johann Rupert:

I'm pulling your leg.

Jon Cox:

Nicolas is adding a bit more on the cost side, maybe, than you have historically done. That's the gist of the question.

Johann Rupert:

Well, then ask it directly. I think you've got to look at Burkhart as the gentleman that's managed to keep the costs under control through COVID up till now.

Burkhart Grund:

Jon, you know we're not going to give you any guidance going forward, but we intend to confirm the reputation that you just cited and mentioned by keeping focussed on that. But remember, this is not a cost saving initiative that is disconnected from what our Maisons need to grow. And we will always

continue to invest where we need to invest, to prepare our Maisons for the future with the right level of resources that they need. We would never suppress activities that will impact the future readiness, so to say, of the Maisons.

We have done, during COVID, have deployed an approach that have been executed by all the Maisons with a high level of responsibility and auto-responsibility of how to make it through a very challenging time. And the same approach is what the Maisons are driving today, that they are aware of the external factors, and they know best what resources they need to deploy for the future of their Maisons. And I think this is built into the philosophy of our management teams in the Maisons and in the businesses.

Jon Cox:

And maybe just as a bit of an add, you mention a potential €300 million charge if the existing 39% tariff is maintained. If that tariff goes back to 15% next week or in the next couple of days, should we just think it'll be six weeks' worth of 300 million costs?

And just as an add, Johann, you're on the call. I saw your comments earlier to the media saying this misunderstanding between the Swiss and the US could be resolved in the next day or two. Any further comment on that at all?

Johann Rupert:

Those of us, Jon, that were on the call, it was selective, you know what subeditors do. It could be today, but I said a comprehensive agreement would probably take up to February. But I have absolutely no idea. It's in the hands of third parties. I'm not predicting anything, it was selective editing.

Burkhart Grund:

And, Jon, based on what we know, which is the current rates, we expect for the full year roughly 300 million impact. Again, after a good 50 million in the first half, where, again, I pointed out that we're pretty much shielded in time through our inventory, but that obviously, once we sell the inventory, we recycle it into the income statement, and that's what we expect overall at current rates. Again, current rates, a total cost of about 300 million for the full year.

Jon Cox:

I'm just going to throw in a cheeky one. Trade receivables have gone up a lot in that half, compared to a year ago, certainly a couple of hundred million. Is this any sort of indication you guys are looking forward to a good Christmas period?

Burkhart Grund:

I'll answer that question right away, Jon, I just want to add one more thing on tariffs. Let's not forget that the biggest impact of tariffs comes from the European tariffs, which is, as you know, 15%, because we produce a significant amount of jewellery, fashion and accessory items, and one watch brand as well, inside the European Union. So, that impact will stay. Here, the same logic applies. What has been in inventory will be recycled into the income statement, and that is where the biggest part of our sourcing actually comes from. Let's not equate just tariff impact with Swiss tariff impact.

Second question. We have wholesale debt of around 600 million. Wholesale debt, meaning receivables, which are highly current. This is really on the back of the wholesale channel performance. We have pointed out that retail and wholesale are roughly growing at the same rate, which means that we also have a healthy recovery of sell in. Again, strictly controlled, which is watches, but which is also linked to the very strong performance of our ready-to-wear lines. And I would say this is pretty current. Our receivable days are quite low, I'm talking about 40 days on average. This is more, I would say, the expression of a healthy business in wholesale today. And I would not interpret that as pointing to the future.

Jon Cox:

Great. Well done on the figures. Well deserved.

Operator:

The next question comes from Luca Solca from Bernstein. Please go ahead.

Luca Solca:

Hello, Luca Solca from Bernstein. Thank you for taking my questions. Looking at the US, I wonder how you're thinking about American demand and whether there could be a reason to think that because of the stock market, because of crypto, American consumers are very strong? Or is there also an element of consumers wanting potentially to avoid price increases and buying ahead of those price increases on the back of the tariffs that have been introduced? And how you separate which is which? I wonder if just myself, thinking about possible contribution from demand being brought forward, or if that is not really a point that you would see from your retail activity in America.

And congratulations, Johann, for apparently sounding the right tone with President Trump. Seeing the picture of you and Aponte and Dufour and a few others in the Oval Office with President Trump was clearly refreshing. If that goes through, I think you should be seen as a Swiss hero. Well done.

On another point, that would be my second question, there's a lot of talk about the K-shaped society coming forward. Artificial intelligence applications could possibly make wealth and income polarisation and inequality even greater. You have a very broad range of prices to take care of the very rich and the middle class. And you stated that you're very careful to maintain accessibility for all consumers. Are you seeing in the way you're selling and I'm referring to the different price points at which you sell, this K-shaped reality is indeed appearing, and that you have the highest demand growth at the two extremes of your offer? Thank you very much, indeed.

Johann Rupert:

As usual, Johann here, a very perceptive question. But please don't think that I had much to do with whatever the eventual outcome between Bern and Washington is. Like you, I'm really concerned, if I could put it like this, about the possible unintended consequences of the AI economy. We know that there will be winners. But perhaps it's easier to spot the losers than the winners five years hence.

Now the hollowing out and polarisation, I would say, especially in the United States, the biggest visible effect that I've seen is a hollowing out of the middle class. If you look at the malls and if you look at, and I hesitate to mention names of companies, but if you speak to mall owners, they will tell you that Costco and Cartier are still doing very well. It's in the middle of that the hollowing out has occurred, and this was clearly reflected in the anger displayed by the voters in the last presidential election. There is a hollowing out of the middle class that's more evident if you look at where they're spending their money, clearly. And I warned and worried about this in 2015, societies cannot live with that massive differential between rich and poor.

The problem is that in the new economy, and it's before AI, it's a winner takes all economy. In the past the bricklayer who laid 80 bricks an hour, earned X. But if you did 120 or 100, you were paid more. But the person who made 20% less still had an income. Today, if you write software that's 20% less effective, you get zero. And especially when you have an economy, an intellectual property based economy, where you can increase production at zero marginal cost, it's a winner takes all economy.

And if you look at, let's say, the top ten companies in the United States, and you look at their percentage of capital allocated and how it's circular amongst them, one does get the problem that how concentrated is this capital allocation and the wealth generation? I think I read somewhere that Nvidia's created in the last year, year and a half, 100 billionaires amongst the staff. Now, good luck to them. It does indicate that in five years' time, and if you start looking at the differential between winners and losers because of AI, I think we're going to have more polarisation. I suspect that we're going to have abundance. The real question is, how is that abundance shared? That would be the real question.

Nicolas Bos:

Luca, Nicolas here. To continue on your first question. We haven't seen so much movement and variation of trends and sales linked to the timing of price increases. There might be, to your point, some

kind of global feeling that you might as well, particularly in the US these days, buy before additional price increase or tariff impact, materialise. It's clearly something that's in the air, but we didn't feel a massive impact of that. And over the last six to nine months, we've had different price increases in the respective brands at different timings, but we haven't seen spikes or downs that we could see sometimes before that we used to see.

As you know, for instance in Japan, where a few years ago, if you were planning a price increase, you knew that the month before would be phenomenal, and the month after would be really down. We didn't see any of that at that level in the US. There is definitely that feeling, but I think it's not so important. And we feel that in a way, if I may, we have clients and collectors that if they can afford and they have a good reason to buy and they want to enjoy and it's the right moment, they don't know what the future is made of, so they say we might as well enjoy now and make that purchase, because who knows how it's going to go.

This is pretty much what we hear. And so far, it's very much down to the desirability of the brands and the collections and the perceived wealth or actual wealth of the of the buyers and the clients. And we are discussing a bit earlier today with Burkhart. It's true that we see in a few countries, clients, collectors that are buying much more from their wealth and their assets or their perceived wealth. And stock exchange does play a role, of course, into that, more than according to their income and the variations of their income. And that's pretty much the case in the US these days.

Burkhart Grund:

Luca, if I just might add one thing. If it were a quarterly spike we would probably come to a different conclusion. But this is seven quarters in a row with double digit growth, so this is probably refuting a bit that argument.

Luca Solca:

Absolutely. I understand the point on American demand, but that is very reassuring. Thank you, Burkhart and Nicolas. I also think, and thank you, Johann, for your explanations, that artificial intelligence is proposing monumental questions to politics and society. We'll see how that is taken care of. Thank you very much, indeed.

Operator:

Thank you. The next question comes from Patrik Schwendimann from Zürcher Kantonalbank. Please go ahead.

Patrik Schwendimann:

Hello. Patrik Schwendimann, ZKB. Good morning, Johann, Nicolas, Burkhart and Alessandra. Congrats for these outstanding numbers. And thank you, Johann, especially for your support for Switzerland. If the gold price stays where it is currently, how much more pressure on the gross margins do we expect for H2 and also for next year? And how much more price increases would you need? That's my first question.

And second question, again on China. The Chinese luxury consumption has improved recently. How sustainable do you think is this? We've just seen this morning, real estate market is still down. Thank you.

Burkhart Grund:

Good morning, Patrik. I really don't want to speculate, so can't really and won't really answer that question. Gold pressure, gold price increase, we've seen it. Our Maisons have, I think, adjusted to it quite well in the first half, trying to find the right balance between limited price increases, efficiency gains, strong inventory management, and strong cost management. And I think the way the mix has come out is quite favourable, and we will continue to apply that approach by our Maisons. And going into the numbers and how much would you need, it would reduce the quality of the mix in a way. It's not price increases to offset as a singular item, but we're working on many more items of the mix. And I can only confirm that this will be the policy and the approach going forward. But I would reframe with the

high volatility that we have and the many moving pieces. And I know you have to feed your models, and I don't blame you for that at all, but it's a bit more complicated to actually run these businesses than just applying a simple model.

Patrik Schwendimann:

Thank you, Burkhart. But just the recent price development, I would assume that the pressure is increasing, right? Because you have a time lag.

Burkhart Grund:

We have a time lag, yes, that's the mechanics of it. And price increases also have a time lag, because, as you know, most of them were applied pre-summer, during summer and after summer, so a bit later in the first half than from 1 April, so that also has a time lag or a stronger impact later in the year.

Nicolas Bos:

And, Patrik, if I may add, Nicolas here, to that. Impossible to predict the volatility of the gold price, as you know, one of the specificities of jewellery is that gold, which is for many people an investment vehicle, for us it's a working material. It has always been the case, will always be the case. We have to see the fluctuations of the gold price and the impact on our cost of goods and our margins. On the other hand, as we discussed before, the desirability of gold and its investment value, also, we believe, impact positively the attractiveness of jewellery. Of course, we prefer and we will welcome your support in advising clients to buy gold under the form of jewellery instead of under purely a financial form, because then they get the best of both worlds. But apart from that, we can only react afterwards.

As for China, we believe that, first of all, we've seen a stabilisation of ourselves. Is it going to last, have we seen the bottom of it? We never know and we cannot predict. But it seems to be stabilising, both in mainland China and in general sales to mainland Chinese, whether domestic sales or touristic. Although we've seen some movements, and, for instance, repatriation of sales from Japan to Hong Kong in the last quarter, quite significantly.

What we see is the strength of certain brands remains extremely, extremely important, and that the desirability of certain lines, certain collections, and probably the most iconic, the most historic lines, the more attractive they are these days, we've seen that continue to strengthen. We are very, I wouldn't say optimistic, but yes, to some extent about China. It's a very, very sophisticated culture. Obviously, there is high purchasing power. It's impossible to predict how it's going to evolve quarter by quarter. But we continue to invest in our presence in China, in the quality of our presence, in the development of the visibility and desirability of our brands, retail network, exhibitions, activities. And we believe it's going to remain a very, very important market, although we're probably not going to see the type of growth that obviously we've seen during a few years before.

Patrik Schwendimann:

Thanks, Nicolas and Burkhart.

Burkhart Grund:

Thank you, Patrik.

Operator:

The next question comes from Atiyah Vawda from Avior. Please go ahead.

Atiyah Vawda:

Hi. Good morning. Thank you for the opportunity. I have two questions. The first one is on the specialist watchmakers store network. I noticed that the number of stores have been reduced by 14 during the period. Can you give us a bit more colour on what that related to?

And then the second comment is on the jewellery business. From a strategic perspective, how easy is it to launch maybe platinum versions of the products, for example in the LOVE range or in the others, from

a manufacturing perspective, but also from the ability of the brand to actually have platinum versions of the current products? Thank you.

Nicolas Bos:

Thank you very much. Maybe I will start with the second part, which is a bit more technical, and thank you for that. It's true that platinum, that somehow decreased or almost disappeared in the jewellery or high jewellery category a decade ago. It's becoming, again, a very interesting material to work with. But availability is still limited, and workability is very different from the gold. For instance, you are talking about the gold bracelet, or if I'm talking about certain other collections, there are a lot of motifs that you can create in gold that are very, very difficult to create in platinum. It's a much harder material to work, and it's also a much heavier material, so it's less adapted to certain lines.

But you're right, there is a thinking behind that, and there are lines that always existing in platinum, but were a bit less visible, and that become quite interesting and attractive again. But it's not going to replace gold anytime in the future, for sure. It's going to complement at most. And we see that also in the watch making, some beautiful opportunities for platinum versions of some iron watches.

Burkhart Grund:

Let me just circle back on the specialist watchmaker network. Now, just a bit of context between internal, meaning directly operated stores, and external stores, franchised stores at the specialist watchmakers. We're talking about a good 920 stores. 14 is a slight downward adjustment, which is primarily, or a bit more than half, is driven by some closures or adjustments on the franchised store network and some very few internal stores that we have closed. It's not in one market. There is a bit in China, but there's a bit in outside of China as well. I'd say overall, it's pretty much what we do every year. We, or the Maisons review their store network and adjust when they see the need. And this is not something very major that has happened here.

Atiyah Vawda:

Thank you very much.

Operator:

The next question comes from James Grzinic from Jefferies. Please go ahead.

James Grzinic:

Thank you. Good morning, all. I just had two quick questions. The first one, Burkhart, you talked to reduce building inventory at the end of half one, if you compare it to last year, given that strong growth in jewellery sales in Q2. Can I just check that, if demand were to grow strongly in the third quarter, as it did in half one, your machine really could feed that demand? That's the first question.

And secondly, can you perhaps more generally talk to what the customer response has been to those meaningful Cartier price rises through mid-September? Any markets where there has been more resistance than others, or vice versa?

Nicolas Bos:

Hi, James. Nicolas here. On the second question, we mentioned before that we haven't seen real significant trends around the price increases, so maybe a very, very case by case basis some slight acceleration before the price increase and slight deceleration after. But even on a monthly basis, it pretty much averages, so we didn't see any noticeable movement there.

Burkhart Grund:

On the on the inventory, let me kick off and then the Nicolas will complement. Let's look at the numbers. First of all, there's about a 600 million increase in inventory. A good half of that, so a bit more than 300 million, is linked to either FX, meaning valuation or revaluation of inventories due to the higher input costs, notably gold. That automatically re-values or increases the value of our inventory. The other half is increased inventory, per se. And the split there is between the biggest part of that in really underlying

inventory increases, work in progress, meaning in the production or manufacturing process today, and a smaller part is finished goods.

This is really just the numbers. And when you see the inventory coverage, it's gone from close to 20 months to about 18. That's really the financial frame of it, so to say. You know that we have been investing over the last years in primarily in additional capacity for jewellery making, and you've seen as well in the first half of the year that a bigger part, a bigger share of the CapEx went not just into distribution, but also into manufacturing, and that manufacturing was concentrated in the Jewellery Maisons. We have been focusing over the last years already, also because we've had shortage in lines, to rebuild the inventory holdings to the right level and have had good success in it. But this is an ongoing process that we continue to complete. Was that covered, Nicolas?

Nicolas Bos:

Very much so. I could go in more in detail, but it's very much investment in production workshops that you will find for the Jewellery Maisons at Cartier, Van Cleef & Arpels, Buccellati and also at Vhernier in Valenza recently. We are being cautious. We don't want to build overcapacity, obviously, but we want to make sure that we are ready for the future. And if trends continue to be positive, we can answer to them with limitations that will remain. Availability of craftsmanship for handmade jewellery remains an issue. And then it's a very lengthy process that we tackle of identifying young talents, training them, being involved with the schools, and so on. But this is more a three, five, eight-year journey to train craftsmen. But it's been an ongoing process for years and years, so we're quite confident that we will probably continue to see some scarcity and some shortage on some collections, but that's the nature of the activity. But all in all, our capacity to supply will follow the demand, the way we look at it.

James Grzinic:

Thank you, Nicolas. To paraphrase, if topline turns out to be, demand would support double digit in big trade. You'll be able to feed that basically, given your production capability now, notwithstanding the inventory balance at the end of September. And I presume you are satisfied with price elasticity since those price rises at Cartier in September, that will allow you to continue to use that fine balance of value, affordability, etc.

Burkhart Grund:

James, are you trying to find out if you should buy now a Christmas present or later?

James Grzinic:

I already have, so I'm covered that's fine.

Burkhart Grund:

Ok, so rest assured, that's fine.

Nicolas Bos:

Thank you.

Operator:

The next question comes from Chris Huang from UBS. Please go ahead.

Chris Huang:

Hello. Hi, Chris Huang from UBS. Congratulations on the results. And I'll stick to two questions. My first one, sorry, Burkhart, just to come back on the commentary you made on September, faster than the quarter. I assume that's a group level common, so could you perhaps please talk specifically about the Jewellery Maisons, as you had newness from LOVE Unlimited at the end of the quarter, and that should be quite mix accretive. Just wondering if you can touch on the cadence of Jewellery Maisons to help us think about the momentum ahead.

The other question I have is a clarification on pricing. Nicolas, you mentioned the pricing you did in September, so thank you for that. But just to clarify, what's the incremental contribution from pricing in Q2, specifically versus Q1 for the division? I'm just trying to understand within that six-percentage point sequential acceleration, how much of that actually came from pricing? Was it more of a low single digit or mid-single digit contribution, please? Thank you very much.

Burkhart Grund:

Chris, I'm not sure if we can be really helpful on these questions. They're very, very short-term oriented. I understand where you're coming from, but commenting on a single month and then with a high level of granularity by Maisons is not something that we recommend to do, because it can lead to conclusions that do not reflect the reality of our business. Our business is always be it by year, be it by quarter, cyclical, and has as much to do with the current trends, as well as the comp base of the prior year. And this is the way I would leave it today. I would not endeavour to go further. Sorry for not being more helpful than that.

Chris Huang:

No worries, understood. Thank you.

Operator:

We will now take the last question from Carole Madjo from Barclays. Please go ahead.

Carole Madjo:

Hi. Good morning. Carol Madjo from Barclays. Two questions, please. The first one, can you share a bit more colour on the state of the watch market? Do you feel like the market has finally stabilised, I guess mostly in China, and that the positive growth you are able to deliver in Q2 can be sustained? That's the first question.

And then number two, just to come back on communication costs, which was lower in H1, are you still happy with the ratio of around 10% of sales for the full year, which is what you have been doing over the past few years? I know you talk about some phasing effect. Are there any particular events worth flagging that you will do in H2 to push topline, as again, you will be facing tougher comps? Thank you.

Nicolas Bos:

Nicolas here. On the watch market, we would love to be able to predict how that market is going to evolve. What we've seen definitely in the recent period is a stabilisation for most of our Maisons. They come from very, very different situations, the respective weight of the geographies, for instance, some of the Maisons were extremely successful in Asia and in China in the past. And, of course, the slowdown in China did hurt them more than the ones that are more of an American or European footprint. We see all the Maisons pretty much coming back to a more healthy and better balanced situation.

As I mentioned before, also very much refocusing and focusing on their core collection, core identities, and delivering a strong and clear message to their collectors and their stakeholders. We are seeing some positive impact of all this. How it's going to evolve in the future is difficult to predict. We see for sure a more and more differentiated watch market, where it's much more difficult to see a global trend, even at the scale or the level of one country or one price category.

And if you see, for instance, the success of Cartier watches in the past periods, be it in sale or even in attractiveness and buzz around the Cartier collection, it's extremely high and shows also an evolution or a kind of a coming back in terms of taste towards smaller shaped watches that had a bit disappeared for a period. We very much have individual and singular trend, Maison by Maison. And we try to very much follow them on a very granular level. Difficult to say how it's going to evolve. For sure, what we see, and we see that also through the activities of Watchfinder, which is the second-hand watch business that we own.

Johann Rupert:
Pre-loved. Pre-loved.

Nicolas Bos:
Pre-loved, pre-loved, sorry, Mr Chairman. Pre-loved watches. We see for sure that the speculative bubble on watches that followed the COVID period has burst and is gone now. And we are back to a much more rational and a bit more predictable consumer behaviour when it comes to, whether pre-loved or first love, watches.

Johann Rupert:
If I might just make a final observation. These successes at, for instance, Cartier, it's not turn on, turn off. It takes years to develop. And I really would like to pay homage to not only obviously, Louis, but Cyrille, and what they have prepared. And what you are witnessing is really the power of Cartier. There are only so many Maisons in the world that have the power and the reach and the influence and the trust of consumers across all continents, that if they have good products, these products sell, and sell at scale.

This comes from Alain Perrin's days. Cartier is a machine. And you are seeing the results of decades of work, really decades. And I'd like to pay homage to all of those people. That's why when you have something very, very good, like the new LOVE range, it can sell, and it can sell at scale.

Alessandra Girolami:
Thank you very much. This will now conclude the call. Please do not hesitate, of course, if you have any further questions. And talk to you soon. Thank you.

Burkhart Grund:
Thank you very much.

Nicolas Bos:
Thank you.