COMPANY REPRESENTATIVES

Johann Rupert – Chairman
Jérôme Lambert – Chief Executive Officer
Burkhart Grund – Chief Finance Officer
Sophie Cagnard – Group Corporate Communications Director
Q&A SESSION

Operator
Ladies and Gentlemen, welcome to the Q&A Session ahead of the Richemont 2020 AGM due on 9 September 2020. I am Alessandro, 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 Director. Please go ahead.

Sophie Cagnard
Thank you, Alessandro. Good morning, good afternoon, welcome to the Q&A session ahead of the Richemont 2020 AGM. Joining me on the call are Johann Rupert, Chairman, Jérôme Lambert, CEO and Burkhart Grund, CFO.

We regret that circumstances have prevented us from meeting in person this year at the AGM on the 9 of September, and thank you very much for taking the time to submit your questions.

I will now read your questions in descending order of prevalence. The first question relates to the equity-based loyalty scheme, and it is for you, Mr Rupert. What made you decide to set up an equity-based shareholder loyalty scheme?

Johann Rupert
Thank you, Sophie and good morning, good afternoon to all. When the first signs of the pandemic came out in the middle of January, there was an SEC meeting then, and things were going very, very well. It soon became clear that this was a very serious pandemic and when we saw the effects on our cash flow, we realised that we would have to be very cautious in terms of cash preservation.

At that stage, I actually gave an interview where I said that this could be a reset for all of us, and not just a pause button that was set. It soon became clear that like most companies in the world, our cash flow was being badly affected. Even at this stage at the end of August, we are still not clear as to when we'll see a therapeutic or a vaccine.

So we will still err on the side of caution in terms of cash.
Now, we made a longstanding commitment to maintain or grow the dividend in Swiss francs, which we've luckily managed to achieve continuously since we started in 1988. As we don't know, if and when either a therapeutic and/or a vaccine will be available, and available widely enough to affect
our customers, and for people to resume traveling and buying, it's a bit early to make predictions or assumptions. On the other hand, we didn't want to penalise our loyal and long-term shareholders selling and then finding out there is a therapeutic or a vaccine that will change our environment and change consumer behaviour.

So, I thought about it for a while and came up with an idea to give an equity-based scheme as a supplementary benefit. So if in the next 3 years, we find that things will return to basic normality, at least through this warrant, it's actually a tradable warrant with a 3-year maturity and exit size price which will reflect the average share price for the next... well, I would say the VWAP, you have all seen that. And we'll distribute these warrants on about 18th September, and these warrants will be tradable.

Now, should things return to normal, and should we also reap the benefits of changes in the business model by going and emphasising New Retail, I would hope that the shareholders will recoup the lost dividend of this year or that we were planning to pay this year, because we've cut it by 50%, by the way, I also cut my salary by 50%, because we're all in it together. It's something that I feel is fair. If we acted too conservatively, the warrant should be very valuable. However, if this pandemic carries on, and we have no therapeutic and/or a vaccine, that will put people's minds at rest, then I think everybody will agree that we acted prudently and conservatively, and in the best interest of all shareholders, colleagues, and partners. That's about it. Sophie...

Sophie Cagnard
Thank you, Mr Rupert. We now have 3 questions on governance matters. First, is there any plan to have a new external auditor in place for financial year '22? If not, when can we expect to see a rotation? Second question, is there any plan to conduct an external board efficiency evaluation? And lastly, how are you handling the board succession process at Richemont? Again these questions are for you, Mr Rupert.

Johann Rupert
Thank you, Sophie. Well, you allocated the questions, I'm not sure that the shareholders asked that I should answer it, but fine. Now, I'm a shareholder like everybody else, and I have a very big interest to have the accounts properly audited.

We've always had or should I say I have had a relationship with the various audit firms that, they are in fact my partners, my eyes, my ears, and they have an open line to the Audit Committee, and that they're free to speak to non-executive Directors and to bypass the executives at any time. The
problem with changing auditors regularly, I am talking audit firms, it takes years and years to understand the complexities, especially when you operate various Maisons in very many countries.

PwC is a trusted partner of mine, and they ensure a regular rotation of the audit team, and its lead partner in line with the Swiss laws. But I've always held the view that you should look at the management, look at the management styles et cetera, because even the most vigilant auditors are helpless when it gets to fraud and malfeasance.

Remember, I used to be a banker, firstly Chase and Lazard and then Rand Merchant Bank, so I've had the position of looking at clients with a very sceptical eye, and as I'm very largely exposed to Richemont, we've got a commonality of interest. And I can assure you that the regular rotation of the audit team will occur.

Now, in terms of an external board efficiency evaluation, Sophie, as you know, we conduct annual self-assessments. And these are anonymous, Directors give their anonymous opinions, and the conclusions on the boards and the permanent committees are then communicated to the board where they're discussed and assessed.

Had it not been for COVID, we would have made some changes this year to our board and to our business model. It was quite clear that the world was changing long before COVID, and that business models needed to be addressed. The distribution channels are changing - should I say the route to market is changing very rapidly. This was already occurring pre-COVID-19. But it's accelerated, and it's accelerating even further, as we speak.

It will make certain practices that we've used, and I am not saying Richemont, I am saying many many industries, obsolete. We look at the route to market, the costs involved, the exposures and then we look at New Retail, and luckily enough we went in very early through NAP and then YOOX NAP and then with Alibaba.

These business models need differing skills.

And we need a board acting as a sounding board and oversight for the management that will need... it's easy to say millennials, evolving tastes, consumption habits, digital, Chinese clientele, cyber criminality, training needs, et cetera, but it's... virtually everything is changed and we need to change a number of business models and as such, we will continue [line drops].
Sophie Cagnard
Hello, sorry about that, there seems to be an issue with the cell phone. I suggest that we move forward with the next question, as we are waiting for Mr Rupert’s line to reconnect. Burkhart, Jérôme, do you agree?

Burkhart Grund
Yes, please go ahead.

Jérôme Lambert
Perfect. Thank you.

Sophie Cagnard
Okay, so we have a few questions for both of you on trading and outlook. I’ll start with the first question, which is, how do you feel the leather business has done in recent years? And is there a possibility of material improvements in the next three to five years? This is for you, Jérôme. Thank you.

Jérôme Lambert
Thank you, Sophie. So indeed leather is a globally key category for Richemont in terms of representation within our portfolio. That’s primarily into the Fashion & Accessories Maisons that we find the leather activity, but not solely, Cartier also has a leather business activity. This business has been growing at +5% CAGR in the last five years. To make it happen, we have been firstly strengthening the central structure and management of the Maisons and we have been creating a new division for Fashion & Accessories Maisons, firstly, under the responsibility of Eric Vallat and newly from 1st of September, under the responsibility of Philippe Fortunato who has just joined us as the new Head of Fashion & Accessories. But we have also worked on the operations. We’ve created a structure called Richemont Pelletteria, in charge of following development of leather and looking after the supply of the leather goods, being reinforced in the last two years by the acquisition of the Serapian manufacture. All that to ensure a high level of product availability and constant qualitative improvement of our product.

Finally, we have also worked during the last three years on sustainability and then a new environmentally-friendly tanning processes, For example, processes that we're using, not only in our leather goods but also for the straps of our watches, and we have been also working on an alternative to animal-based leather material. For the future, we do believe that, as our Chairman was saying, that our New Retail dimension will further give us the capability to enhance our market
share and our footprint in that dimension, that's for sure, thanks to the development of NAP and of YOOX, but also through our new initiatives such as the recently announced AZfashion. Thank you, Sophie.

**Sophie Cagnard**
Thank you, Jérôme. The second question is for you, Burkhart. How much as a percentage of sales do you think Cartier and Van Cleef & Arpels will be doing via digital channels in the next five years? Thank you.

**Burkhart Grund**
Yes. Thank you, Sophie for the question, and good morning, good afternoon to all of you. Let me just start by answering [interrupted].

**Johann Rupert**
Sorry, I don't know where I got cut-off there, sorry.

**Sophie Cagnard**
You were discussing board succession and how you wanted to model the Board going forward.

**Johann Rupert**
Yes, but I hopefully I had nearly finished, Sophie. Basically, the new profile of the board must reflect the opportunities and challenges that we're facing, evolving tastes, consumption habits, digital, Chinese clientele, cyber criminalities, D&I matters, training needs, change management. So we will be changing the board and we would have started this year but for COVID, but we need time to also transition the committees.

**Sophie Cagnard**
Thank you, Mr Rupert.

**Johann Rupert**
Thank you.

**Sophie Cagnard**
Thank you very much. Is there anything else that you would like to add or otherwise, Burkhart is about to answer his question.
Johann Rupert
No, now I've got to start working on another Zoom call, Sophie.

Sophie Cagnard
Thank you very much.

Burkhart Grund
So back to me. Thank you, Sophie. So I'm just going to take up the question again. How much as a percentage of sales do you think Cartier and Van Cleef & Arpels will be doing via digital channels in the next five years. So, what we do not do is, we do not comment on current or future performance of individual Maisons, but nevertheless, let me let me address the question. First of all, a very big important point is looking at recent performance, where we have seen that the share of the online sales for all our Group Maisons together, so that excludes the Online Distributors, has actually significantly increased to now be more than 10% of our sales overall. These are the first quarter numbers communicated in July. So it is a significant sales share already. And we expect the trend towards online sales or the growing online share to increase significantly over the years to come. If you look at independent market research, the share is projected to potentially exceed a 20% or 25% range in five years' time, at least for the fashion side of our businesses, or of the market in general.

One point just to remember online sales, you know, it's a definition of a sales channel. These sales are not opposed to other channels, but rather complement the other channels, because we are speaking of the same route-to-market, the New Retail environment. And online sales are one of the very important components of the New Retail distribution that we envisage for the future. And that is actually envisaged by our customers. Thank you, Sophie.

Sophie Cagnard
Thank you, Burkhart. The third and final question of the session is: if online sales are going to be significantly more than today, do you have the right infrastructure in place and what needs to be done to get the infrastructure right. This is for you, Jérôme.

Jérôme Lambert
Thank you, Sophie, for your question. It follows rightly the answer of Burkhart on the development of the digital penetration within our activity. In fact, when we speak from infrastructure, we have to consider that, as the retail goes more and more digital and as New Retail is more and more our daily operation environment, we need to constantly adapt and develop our infrastructure in the field
of technology to follow the demand of our Maisons and to continue to offer outstanding services and new services to our clients.

In that regard, there are some key levers on which we focus to develop the technology. The first one is the client dimension. We have been significantly developing our infrastructure in investment in that dimension. We are working on developing our CRM programme, Client Relationship Management programme, while developing a large programme with Salesforce within the different Maisons of the Group--all that connected to the extension of guarantee that already started to be announced two years ago, Maison by Maison.

We also invest and develop our call centres. At Richemont, we have decided to offer superior service to have internal call centres to treat all the demands and expectations of our clients, and we have in the main countries and continents dedicated resources to take care of our clients and their expectations and demands when it comes to products or to their needs.

The second axis of development is connected or linked to YNAP. We share expertise and we leverage platforms, the technical platform of YNAP by using their tools and their operations, that is the case now for Montblanc, for which we started some migration short after the acquisition, and that have been from August now operated, that has its e-commerce activities operated by YNAP New Era solution, and we follow with other Maisons for the time to come.

Finally, developing the infrastructure, it's also a developing partnership, particularly when it comes to China where we have to work with a very specific ecosystem. And there we work on developing our capabilities with the support of Alibaba, that's what we do together through the FENG MAO joint venture and through the opening of Luxury Pavilion stores on Tmall, as just done for IWC or Jaeger-LeCoultre in the last week. Namely, what are probably the most important levers when it comes to infrastructure and IT technology infrastructure. Thank you, Sophie.

Sophie Cagnard
Thank you, Jérôme. This concludes today's Q&A session. We very much appreciate your questions and participation. Should you have any outstanding questions, please contact Investor Relations. Thank you again for joining and we wish you all a good day. Bye-bye.