Compagnie Financière Richemont SA
6 September 2023 AGM

Address by Johann Rupert, Chairman of the Board

Good morning ladies and gentlemen, dear Shareholders,

On behalf of the directors of Compagnie Financière Richemont SA, it is my pleasure to welcome you to our 35th Annual General Meeting. I am Johann Rupert, Chairman of Compagnie Financière Richemont SA, and on behalf of the Board, I thank you for your attendance.

Before proceeding to the agenda of our annual general meeting, I would like to make a few remarks concerning the excellent results for the financial year ended March 2023, which you are asked to approve today, and the latest trading update for the quarter ended June 2023. These strong achievements would not have been attained without the individual and collective contributions of all of our colleagues at Richemont. Both on my behalf and on behalf of the Directors of Compagnie Financière Richemont SA, I would like to wholeheartedly thank all of them.

For the year under review, sales and operating profit reached all-time highs of € 20 billion and € 5 billion, respectively, generating a robust € 4.5 billion cash flow from operating activities and a solid € 6.5 billion net cash position. As a result, your Board of Directors proposed an increased ordinary dividend of CHF 2.50 per 1 ‘A’ share and CHF 0.25 per 1 ‘B’ share as well as an additional special dividend of CHF 1.00 per 1 ‘A’ share and CHF 0.10 per 1 ‘B’ share. When we feel we have had an excellent year, which is every now and again, we will distribute a special dividend, but obviously you cannot expect that every year.

I would like to draw your attention to the upcoming expiry of the warrants issued in November 2020 as part of the Shareholder Loyalty Scheme to mitigate the reduction in dividend paid for the year ended March 2020, due to the Covid outbreak. I must remind you that April of that year, we had negative cash flow of some € 438 m. So we reduced the dividend. At the time, it was a bet against human ingenuity that within three years we would find a way. So it turned out that with the vaccines, things returned to a more normal situation so we felt that we had to conserve cash at that stage but if things returned to normal, we would pay. These warrants can be exercised from the 20th of November 2023 till the 22nd of November, so you have to watch those dates. Tell your brokers, tell whomever you use. 67 warrants are required to purchase one A share, currently worth around CHF 126, at a price of CHF 67. So, these warrants are valuable. Please make sure you exercise them and thank you for the patience and trust in your Company.

All of the Group's business areas delivered double-digit sales growth and higher profits, underpinned by growth in all regions and distribution channels, led by retail, Japan, Europe and the Americas. Profit for the year from continuing operations rose by 60% to € 3.9 billion whilst the overall profit for the year was limited to € 301 million. This was primarily due to the € 3.4 billion non-cash charge on the transfer of YOOX NET-A-PORTER net assets to 'held for sale' following last year's strategic agreement with Farfetch and Alabbar to acquire 47.5% and 3.2% of YOOX NET-A-PORTER, respectively, attributing to Richemont a 49.3% holding and 12% to 13% of the Farfetch's issued share capital. The total net non-cash charge write-down since we fully acquired NET-A-PORTER in 2010 amounted to about €1.3 billion, based on IFRS application which drove a series of write-ups / write-down of the Net assets carried value. At the time that the Auditors came and said we have got to write up the assets, I said but then what happens when it goes down, well then you would write them down. We should really just focus on the cash and the cash costs. I have got to remind you that we are trying to change fixed costs into variable costs. We have leases of around € 1.2 billion.

Subject to the usual regulatory approvals, the initial stage of the transaction is anticipated to be completed by the end of calendar year 2023 enabling Richemont's Maisons to adopt Farfetch's technology to address clients' needs in a seamless manner across distribution channels. YNAP will also adopt Farfetch Platform Solutions to accelerate its shift towards a hybrid model, significantly enhancing its prospects as a neutral industry-wide platform. We always wanted a neutral platform and pleaded for it at the FT Conference in 2015. We do not want to control it. We think it should be a neutral platform.

Turning now to the current financial year, the business has continued to perform solidly, with sales rising by 19% at constant exchange rates and 14% at actual exchange rates for the three-month period ended 30 June 2023. At actual exchange rates, performance was driven by higher sales across almost all regions and distribution channels and all business areas.

This July, we acquired a controlling stake in Gianvitto Rossi, one of the world's leading luxury shoe Maisons embodying exceptional 'Made in Italy' craftsmanship, elegance and timeless style. In line with the Group's strategy to grow and nurture its Maisons over the long term, we look forward to working together with its founder Gianvitto Rossi to develop this renowned Italian Maison to its full potential.

I would like to turn now to corporate governance. At this shareholders' meeting, you are being asked to approve the nomination of two new Non-executive Directors: Fiona Druckenmiller and Bram Schot. If elected, both will further reinforce the breadth and depth of the skillset on the Board. Fiona will bring her combined financial and jewellery expertise, understanding of the increasingly important American clientele and empathy for social and environmental causes, and Bram, his unrivalled premium automotive industry expertise, business acumen and deep understanding of risk management, supply chain and sustainability issues.

You recall that in the past, we have said on a number of occasions that the automobile and watch industries have a lot of commonalities: assembly, precision, brand values and brand equity. Bram will understand the watch industry, plus he understands brand equity.

There will be further changes to the Board of Directors within the next 18 months as we continue executing on our succession plan for long-serving members. In March 2024, two very valued Non-executive Directors, Jean-Blaise Eckert and Guillaume Pictet, will step down from the Board. This timing will enable an effective transmission of institutional knowledge with their successors on their respective Board committees.

In March 2025, two other valued and highly experienced Non-executive Directors, Clay Brendish and Maria Ramos, will step down. Both sit on a number of Board Committees with Clay having the important additional role of Lead Independent Director.

I wish to heartily thank Clay Brendish, Maria Ramos, Jean-Blaise Eckert and Guillaume Pictet for the considerable contributions and wise counsel they have given to the Group over very many years, as well as for their continuous support during their transition period. It is of great comfort to know that they will ensure an orderly handover with their successors on the Audit, Compensation, Governance and Sustainability, Nominations and Strategic Security Committees. Subject to shareholders' approval, the Board will therefore temporarily increase to 18 members before returning to 16 members on 31 March 2024.

It is quite ironical that institutional shareholders and analysts continuously ask for smaller boards with increased responsibilities. ESG is lumped together as one, but they are three totally different disciplines. If we want these committees to operate in the best interest of all of us, and I must remind you, I am the biggest person with the biggest exposure to this Group, I need all of these functions to operate smoothly. Unlike institutional shareholders, we do not sell. Sometimes, I worry investors, who are more short term than we are, do not quite understand the immense responsibilities that non-executive directors carry. They have different disciplines. I really want to thank all of my non-executive directors for what they have done in the past and what they will continue to do in the future on every shareholder's behalf.

One key Board committee is the Audit Committee. You have likely read this morning's announcement that Gary Saage has been nominated to join the Board and chair the Audit Committee in September 2024. If elected at the 2024 annual general meeting, Gary will take over from Josua Malherbe, or Dillie as we all know him, the Audit Committee Chair.

As a former Chief Financial Officer of the Group and Board member, Gary Saage's invaluable understanding of Richemont and strong track record of financial discipline will be key in overseeing this important Board committee. Gary has had a successful career across the Group, which he departed as Group CFO in 2017. He remained on the Board of Richemont as a Non-executive Director until 2021 and, last August, stepped down as honorary Chair of Richemont North America and related companies.

Dillie has been with us since inception and Gary for very, very many years. You need a specific knowledge of a very complex group to be able to ask the right questions on all of our behalf. The transition will be very valuable and Dillie, I want to thank you. It is a balancing act because they are not executives and they are not supposed to interfere and will not interfere, but they need to ask the right questions as a check and balance, also in support of the CFO. About five or eight years ago, I made the statement that shareholders should really get to know the culture of the management better. Culture determines companies, not PowerPoint. Unless you understand and you actually look at the way people live their lives, non-executive directors really get told what executive directors want them to know. They may not like what I am telling you, but it is the fact.

It is a question of culture, of character and openness and transmission of knowledge that secure financial prudence, success, ethics. Yes, you rely upon the Audit Committee, but by the time the Audit Committee gets into action, it is one, two years too late. Our culture is more important, and I promise you our culture is open, transparent and accountable.

Dillie has been with us since inception and Alan Grieve, I guess. We are the only three, and Guillaume, I guess. So they understand the institutional knowledge. They will look, smell and sense if there is something going on, and that is what you need. I am deeply grateful that Dillie has accepted to continue to serve as Deputy Chairman and remain on the Audit and the Strategic and Security Committees for a while longer, to ensure a smooth transition and execution of our succession plans. With three members of the Audit Committee departing and a tender process to select the next Group's external auditor underway, Dillie's ongoing and sustained involvement is essential to ensure the correct functioning of the Audit Committee. I know I can also count on him to ensure that Gary benefits from an in-depth handover regarding the committee Chair's responsibilities.

In parallel to the Board changes, the Senior Executive Committee has been further strengthened with the appointments of Patricia Gandji, the Group's Chief People Officer and CEO of Regions, Dr Bérangère Ruchat, the Group's Chief Sustainability Officer and, as of today, two further appointments: Swen Grundmann, who combines the newly created role of Corporate Affairs Director with Company Secretary, and Boet Brinkgreve, CEO of Laboratoire de Haute Parfumerie et Beauté, who joined Richemont on 1 September. These appointments reaffirm the importance of people, regulatory compliance, reputation and ESG matters to the Group, and also highlight the importance of exploring transversal opportunities across the Maisons in fragrance.

Indeed, doing business responsibly has always been at the heart of Richemont. We have phased out polyvinyl chloride (PVC) from our products and packaging and reached 97% use of renewable electricity. Our ESG reporting is in accordance with the GRI standards, with 40 quantitative indicators independently assured, and we are working towards meeting the new EU and Swiss regulatory requirements. We look forward to accomplishing more in 2024 and beyond to safeguard our planet, whilst crafting a more sustainable, responsible future.

Again, this is a mindset. If you have empathy and curiosity, you will go a long way. If you have empathy, you have empathy with your fellow human beings, with animals, with the planet, with biodiversity. You need curiosity. We try to run the Group, and we have from my father's days run the Group with empathy. That also means empathy for your colleagues and the communities they live in. I actually think that the corporation has more responsibilities than merely chasing short-term earnings per share. That is the culture. ESG and caring for the planet is actually the easiest thing to enthuse all of our colleagues. It has always been in our DNA. That being said, when Berry comes and tells me all the ESG and DEI requirements that differ from country to country, from region to region, it is like a check list. And now Switzerland and the EU have different regulations, and now the UK has different regulations. We have concluded that we will take the highest hurdle rate of everything and comply to that, instead of looking at each country, for a couple of reasons: it is easier, it is the correct thing, but it is easier. It is becoming an industry. Obviously, a lot of people have vested interest in analysing things, and giving score cards they make money on. It is complex. We are already complying, and we will maintain our compliance at the highest hurdle rate.

The year under review and the very start of the new financial year have seen good performance against the backdrop of continued geopolitical volatility, economic uncertainty and stubbornly high inflation. We have been cautioning close on to a decade about the artificially low interest rates. In fact we lived with no hurdle rate. Free enterprise cannot function without a cost of capital. The various central banks have acted swiftly. We cannot expect 10 years of excesses to return to normality in a year or two. It is going to take longer. Hopefully, if it is a softish landing, it will take longer to compensate for the excesses of the last 10 plus years. So, we should expect financial markets to return to reality in future growth rate expectations. It is going to take a while. As I told you in May, demand in the United States started softening in November, albeit from a high base, sales having doubled over three years over there, and we also said China will take longer to fully recover. It was a bit unpopular at that time, but it has been proven to be correct. In Europe, ongoing inflation is starting to impact local demand, but the good news is that we are starting to see the Chinese travelling again, including Europe.

If you look at families of four in Holland and what percentage of their income is spent on essentials today in comparison to 5, 10 years ago, we are seeing a squeeze on people. Where it used to be 30-40%, now it is getting to 65-70%. It it's going to take a while to compensate for the excesses of in general society.

In closing, I would like to reiterate my confidence in the Group's long-term prospects and its ability to develop leading and resilient Maisons with exceptional products and experiences for their clients. Our balance sheet is very solid, our governance strong, our business sound and our teams are professional, committed and agile. I therefore have every confidence that the strong combination of our strategy and these unique assets will enable us to face whatever may lie in store in the short term and also support us to achieve Richemont's long-term ambitions.

Let us now turn to the formal business of the meeting.