RICHEMONT

FY25 Interim Results

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INTRODUCTION

Alessandra Girolami:
Thank you, Moira, and good morning everyone. Thank you for joining us for Richemont's half year results presentation for the period ended 30 September 2024. Here with us today are Nicolas Bos, Chief Executive Officer, Burkhart Grund, 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.

During the first half of the year, Richemont delivered a resilient performance in a persistently challenging macroeconomic and geopolitical environment.

Sales for the period were stable at constant exchange rates and just 1% lower at actual exchange rates.

Operating profit of €2.2 billion was 17% lower over the prior-year period, or 12% lower excluding adverse foreign exchange movements. Reported operating margin was 21.9%, a 410-basis point reduction compared with a year ago.

Profit from continuing operations, at €1.7 billion, was 20% lower than the prior-year period.
Cash flow from operating activities amounted to €1.2 billion.

Finally, our net cash position remained very solid at €6.1 billion, taking into consideration the recent €1.7 billion dividend payment that was approved by shareholders at the 2024 AGM in September.

In the first half, we achieved stable sales at constant exchange rates against a demanding +12% comparative in the prior year period.

The Jewellery Maisons, our largest business area, led this performance by growing by mid-single digits, largely compensating for lower sales at the Specialist Watchmakers.

All growing by double-digits. Illustrating the benefits of the Group's balanced regional footprint, growth in those regions offset the decline in Asia Pacific, led by China. Excluding Mainland China, Hong Kong and Macau combined, Group sales increased by 11% at constant exchange rates in the first half of the year.

In the second quarter, while facing continued macroeconomic challenges particularly in China, our sales performance remained resilient thanks to the same drivers as in Q1 – the strength of our Jewellery Maisons, and a balanced regional mix – resulting in sales just 1% lower than the prior year period at constant exchange rates, and 2% lower at actual exchange rates.

The decline in operating profit from continuing operations in the first half mostly reflected the impact of lower sales at the Specialist Watchmakers, adverse foreign currency movements and continued investment in the growth of our Maisons. In addition, one-off and perimeter change effects impacted the underlying cost base.

The first half was also marked by significant strategic developments. We made further investments in the manufacturing capacity of our Jewellery Maisons, by opening, acquiring or expanding facilities to support higher sales. We finalised the acquisition of the distinctive Italian Jewellery Maison Vhernier, and are delighted to welcome their talented team to the Richemont family.

And as you know, a month ago we announced the signing of an agreement by which MyTheresa will acquire 100% of the share capital of YNAP, with the closing expected to happen in the first half of calendar year 2025. With its strong reputation for operational excellence and highly performing infrastructure, we have no doubt that MyTheresa will be the right home for YNAP.

Finally, Richemont strengthened its corporate governance with the appointment of Nicolas Bos as Group Chief Executive Officer and new leadership at some of our largest Maisons, with Louis Ferla as CEO of Cartier and Catherine Renier as CEO of Van Cleef & Arpels.

SALES

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

The Americas continued to show remarkable growth, with a double-digit sales increase against a mixed macroeconomic backdrop. In the second quarter, sales growth accelerated to +12% after +10% in the first quarter, supported by solid local demand.

The Americas made up 23% of Group sales during the period, up from 21% in the prior year period, and the US confirmed its rank as the largest individual market for the Group.

The performance in Asia Pacific weighed on the overall Group, with an 18% decline in sales in the first half, largely driven by a 27% drop in sales in China, Hong Kong and Macau combined. Our operations in China not only faced a demanding +34% comparative base but also a very low consumer confidence this year, adversely impacted by an unsupportive property market. In other parts of the region, Korea and Malaysia both recorded double-digit growth.

In the second quarter, the decline in sales in the region was in line with the first quarter, at -18%.

Sales in Asia Pacific made up 34% of Group sales, a reduction from 42% in the prior year period.

Sales in Europe increased by mid-single digits, driven by the resilience of domestic demand and higher tourist spending, largely from North American and Middle Eastern clients. Growth slightly accelerated in the second quarter to +6%, after +5% in the first quarter. Sales in Europe represented 23% of Group sales, slightly higher than in H1-24. Almost all main markets grew, with notable increases in Spain and Turkey.

Japan saw its sales increase by 42%, fuelled by solid domestic demand as well as inbound tourism, the latter supported by the favourable foreign exchange rate environment. As the Japanese Yen strengthened this summer, tourism spending decelerated, translating into slower Q2 growth at +25%, from nearly 60% in Q1.

In the first half, Japan’s contribution to Group sales rose to 11%, gaining 3 percentage points over the prior year period.

The Middle East and Africa region also enjoyed a double digit increase in sales, largely on the strength of domestic purchases in most main markets, and to a minor extent from inbound tourism. Sales in the region made up 9% of Group sales, up from 7% in the first half of the prior year.

The largest contributors to sales growth in value terms were Japan and the Americas, with each region delivering over €200 million in incremental sales.

Combined with the increased contribution of Europe and the Middle East and Africa, this performance enabled the Group to largely offset the significant decline in Asia Pacific sales, illustrating the strength of our diversified regional footprint.

Let us now turn to sales by distribution channel, with growth expressed at constant exchange rates. Retail represented 70% of Group sales, a one-point increase over the prior year period. Retail sales rose by 2%, led by the Jewellery Maisons. All regions except Asia Pacific posted growth, with notable double-digit expansion in the Americas, Japan and Middle East & Africa.

Online retail sales, at 6% of Group sales, grew by 7% versus the prior-year period. Sales increased in almost all regions, most notably in the Americas, Japan, and the Middle East & Africa. By business area, growth was driven by both the Jewellery Maisons and Other.

Now moving to Wholesale sales, which include sales to external mono-brand franchise partners and third-party multi-brand retail partners, sales to agents and royalty income. Sales in the channel represented 24% of Group sales, down from 26% a year ago. Wholesale sales reduced by 6%, driven down by a double-digit reduction at the Specialist watchmakers primarily and with only the Other business area posting growth. Japan and the Americas recorded strong growth during the period, but only partly mitigating the significant decline in Asia Pacific.

Overall, direct-to-client sales, which represent sales in our directly-operated stores and online retail sales, made up 76% of Group sales, which translates into a 150 basis point increase over the same period a year ago, largely driven by the Jewellery Maisons which reached a DTC rate of 83%. Over to you Alessandra.

BUSINESS AREAS

Alessandra Girolami:
Thank you, Burkhart. I will now review the business areas, with all comparisons at actual rates unless specified.

Let me start with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels, with Vhernier sales being consolidated from October onwards. Sales increased to €7.1 billion, up by 2% in the first half of the year. At constant exchange rates, sales were up by 4%, while facing a demanding +16% comparative in the prior year period. We saw very solid growth across all regions except in Asia Pacific, driven by direct-to-client sales. The Americas and Japan were the main contributors to sales growth in value terms during the first half.

The Jewellery Maisons generated an operating result of €2.3 billion with a 32.9% operating margin. At constant exchange rates, operating profit was lower by just 1%. This result included higher raw material costs, particularly gold, that were only partly offset by the impact of limited price increases. In addition, Jewellery Maisons continued to invest in distribution and manufacturing to support existing and future demand, while maintaining communication expenses at the same level as the prior-year period.

Let us now look at the main developments over the past six months. Driven by quality craftsmanship and creativity, jewellery and watch sales benefitted from the continued outperformance of iconic collections, including *Trinity*, that celebrated its 100th anniversary this year, the *Clash* jewellery collection, *Panthère* in both jewellery and watches, and the *Santos* watch collection from Cartier. At Van Cleef & Arpels, this included *Alhambra*, *Perlée* and *Flora,* and at Buccellati, the *Blossom*, *Opera Tulle* and *Macri* jewellery collections.

High jewellery sales grew, despite a challenging comparative that included several events last year. Growth was supported by the successful launch of Nature Sauvage at Cartier, by the Heritage and Signature collections at Van Cleef & Arpels, and the acclaimed Prince of Goldsmith exhibition from Buccellati in Venice.

The Maisons continued to enhance their retail network through renovations and boutique extensions. At Cartier, this included renovations in Miami and extensions in Costa Mesa in the US, and at Van Cleef & Arpels in Dubai. Selected store openings took place mainly in the Americas, Asia Pacific and Japan.

In order to meet existing and future demand, our Jewellery Maisons continued to invest in their production capacity. Cartier opened a new manufacturing site in Valenza in Italy, Van Cleef & Arpels acquired new *ateliers* in various locations in France, and Buccellati began operating from its recently acquired facility in Italy.

Let us now turn to Specialist Watchmakers, where sales were down 17% compared to the prior-year period at actual exchange rates and 16% lower at constant exchange rates.

Sales performance was largely due to the 29% decline in the business area's largest region, Asia Pacific, which accounted for over 50% of sales last year. The contraction in sales was led by China, Hong Kong and Macau combined. Elsewhere, Japan grew at double-digits and the Americas showed resilience with stable sales. By channel, performance was largely similar across retail and wholesale. The operating result, which amounted to €160 million and generated a 10% operating margin, primarily reflected the impact of lower sales on fixed operating costs, in addition to a strong Swiss franc impacting production costs. Communication costs were lower when excluding the impact of the timing of Watches & Wonders, as most expenses occurred in the first half of this year compared to the second half of financial year 23 for the previous edition.

Operating profit was down 59%, or 55% at constant exchange rates.

While the Maisons showed various degrees of resilience influenced by their respective regional exposure and product mix, all of them continued to strive for innovation, building on their unique heritage and craftsmanship.

Notable examples included the Eternal Calendar by IWC for the Portugieser collection, the world's most complicated watch crafted by Vacheron Constantin with The Berkley Grand Complication, and the thinnest tourbillon with Piaget's Altiplano Ultimate Concept.

Direct-to-client sales remained stable at 59% of total, consolidating the strong expansion of internal boutiques over the last few years.

Network expansion was focussed on key locations. These included IWC's flagship stores on Madison Avenue in New York and "L'Appartement" on the Champs Elysées in Paris, and Vacheron Constantin's new store on Maximilianstrasse in Munich.

Over the period, the sales turnover achieved with sell-in to our external partners was in line with their sell-out, in keeping with the sustainable strategic approach set by the Group.

Let us move to the 'Other' business area, comprising the Fashion & Accessories Maisons, Watchfinder & Co., and the Group's watch component manufacturing and real estate activities. Sales for the business area overall were higher by 4% at both actual and constant exchange rates, underpinned by a strong double-digit increase at Watchfinder and a 2% increase at the Group's Fashion and Accessories Maisons, which have included Gianvito Rossi since February 2024. Similarly to other business areas, all regions showed growth during the first half except for Asia Pacific, with the Americas and Middle East & Africa regions growing by double digits. Sales rose in all channels.

Overall, the 'Other' business area reported an operating loss of €52 million. The operating margin at the F&A Maisons amounted to -2% of sales, reflecting varied performances and ongoing strategic investment to boost desirability and visibility of our Maisons.

Going into the detail, it is worth highlighting the continued strength at Peter Millar, notably in the *Crown Crafted* collection and through enhanced client experience.

Also, Alaïa showed very strong double-digit growth on top of similarly strong growth in the prior year period, notably supported by the success of *La Ballerine* and *Le Teckel* bag.

Those two Maisons broadly offset lower sales at other Maisons.

New collections launched at several of our Maisons delivered promising results. This included collections from Chloé's new designer Chemena Kamali, and the first collection of dunhill's new Creative Director, Simon Holloway. In addition, Alaïa's Winter Spring '25 show in September in New York was widely acclaimed.

Selective network developments included Peter Millar in Tampa, Gianvito Rossi in Nanjing and Villa Serapian in Tokyo.

Watchfinder's pilot of the Official Pre-Owned partnership with Cartier is showing strong results just a year after its launch.

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 decreased by 3% to €6.8 billion and represented 67.2% of sales, compared with 68.2% a year ago. Excluding the unfavourable exchange rate movements largely due to the Japanese Yen and the Swiss franc, gross margin was down 40 basis points to 67.8%.

Higher raw materials costs, most notably gold, and a rise in production costs, were only partly mitigated by the impact of limited price increases and a favourable channel and product mix.

Let us now look at net operating expenses, which rose by 6% compared to the prior-year period at both actual and constant exchange rates.

It is worth noting that close to half of the increase was driven by one-off and perimeter change effects, with the remaining 3+ percent increase being organic, roughly split between FY24 carry-over effects and FY25 organic growth.

Selling and distribution expenses, up 6% at actual exchange rates, represented 26.4% of H1-25 sales, a 180-basis point increase compared to the prior-year period. The cost expansion was largely due to FY24 and FY25 network projects, the inclusion of Gianvito Rossi as well as the impact from salary increases.

Communication expenses were up by 4% over the prior-year period. This reflected the Maisons' controlled but continued investment in communication to support sales growth, as well as the timing of the Watches & Wonders event in Geneva, as previously mentioned. As a percentage of sales, communication spend was 9%, only slightly higher than the prior-year period.

Administrative and other expenses rose by 7% at actual exchange rates with an underlying 3% organic growth. They amounted to 9.9% of sales, 80 basis points higher than in the prior year period, integrating higher valuation adjustments on acquisitions, driven by Gianvito Rossi, and salary increases.

Overall, net operating expenses amounted to 45.3% of Group sales.

This resulted in an operating profit of €2.2 billion, 17% lower than the prior-year period or down 12% at constant exchange rates.

Profitability largely reflected the impact of weaker Specialist Watchmakers sales on fixed operating costs, a slight gross margin erosion as well as the previously mentioned cost base evolution Foreign currency movements accounted for a further 90 basis point unfavourable impact, bringing the reported operating margin to 21.9%.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs increased to €173 million for the first half of the year, from €52 million in the prior year period.

The €121 million increase is largely the net effect of two items:
On the one hand, a €261 million increase in net foreign exchange losses on monetary items, due to adverse foreign currency movements. On the other hand, a €159 million favourable change in fair value adjustments, reflecting gains in the Group's investments in externally managed bond funds and money market funds.

Turning to "discontinued operations", which consists of YNAP, where sales were down by 15% during the period, at both actual and constant exchange rates.

While I will elaborate on the agreement with Mytheresa later in the presentation, the financial impact of this transaction was already represented in the first half by a write-down of the carrying value on YNAP assets, for €1.2 billion, which includes the cash to be left in YNAP upon closing. Taking this into account, the operating result from discontinued operations was a €1.3 billion loss.

Profit for the period from continuing operations decreased by 20% to €1.7 billion, leading to a 17.2% profit margin from continuing operations.

The group's effective tax rate for the first half of the financial year from continuing operations was about 18%. This is an organic rate for Richemont, and it is in line with our expectations for the full-year, absent any special unforeseen items occurring in the second half of the year, and at the low end of our projected 18%-20% range.

Cash flow generated from operating activities, at €1.2 billion, was €417 million, lower than the prior-year period, mainly reflecting the €449 million lower operating profit from continuing operations.

Let us now turn to our gross capital expenditure. Capital Expenditures totalled €389 million, broadly in line with the prior-year period. At 3.5% of sales, this ratio was slightly higher than the 3.3% in the prior-year period.

47% of gross capital expenditure related to point-of-sale investments, mostly renovations and relocations of directly operated stores.

New store openings included Van Cleef & Arpels on Madison Ave in New York, on Goethestrasse in Frankfurt and Cartier Ginza in Tokyo.

Relocations and renovations included Honolulu Ala Moana and Waterloo Boulevard in Brussels for Cartier.

Manufacturing spend represented 24% of overall capex and mostly related to the Jewellery Maisons. Other investments, including IT, made up 29% of capex.

Let us now turn to free cash flow. Free cash inflow of €270 million was about €600 million lower than in the prior-year period. The reduction reflected the lower cash flow from operating activities that I described previously, and the acquisition of two investment properties in prime locations in London.

Our balance sheet remained solid. Shareholder's equity accounted for 47% of the total. Net cash amounted to €6.108 billion on 30 September 2024, a €1.3 billion decrease compared to 31 March 2024, which is more than explained by the €1.710 billion dividend cash outflow in September.

The dividend payment reflected an ordinary dividend of 2.75 Swiss franc per A share, which was approved by shareholders at the AGM in September.

CONCLUSION

Burkhart Grund:
Before concluding, let me spend a moment on the agreement to sell 100 % of YNAP's share capital to Mytheresa and which was announced on 7 October.

The transaction aims to create a multi-brand digital group of significant scale, global reach as well as exceptional customer centricity. The financial details are comprised of several elements. Richemont will sell YNAP to Mytheresa with a cash position of €555 million and no financial debt, subject to the customary closing adjustments. Mytheresa will issue shares to Richemont representing 33% of Mytheresa's fully diluted share capital. In addition, Richemont will provide a €100 million revolving credit facility to YNAP.

Let me remind you that the closing of the transaction is expected to take place in the first half of calendar year 2025, subject to customary conditions, including regulatory approvals.

We believe this transaction will offer a good home and an excellent future for YNAP as Mytheresa is ideally placed to build on YNAP's assets by harnessing both companies' respective strengths.

Before turning over to the Q&A, I would like to summarise and offer some concluding remarks.
For the first half of this year, Richemont demonstrated sustained resilience in a challenging macroeconomic and political environment.

Sales growth was solid in most regions, most notable of which was a double-digit increase in the Americas.

Our Jewellery Maisons continued to show strength with a mid-single digit rise in sales, while the performance at the Specialist Watchmakers largely reflected their high exposure to the Asia Pacific region, and more specifically to China.

We continued to invest in the Maisons to support existing as well as future demand. Our balance sheet remains strong with a robust cash position.

Looking forward, we remain cautious on the environment, and in this uncertain context, will lead the Group with the same discipline as we have always done. We are confident in our Maisons' strong positioning to navigate the current cycle and deliver sustainable value creation over the long term. 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 is from Zuzanna Pusz from UBS. Please, go ahead.

Zuzanna Pusz: Thank you for taking my questions, it's Zuzanna from UBS. I'll stick to two. So, maybe first on the top-line of Jewellery Maisons, by the way, congratulations, really impressive performance, especially in the context of what some of your peers have delivered. So, any chance you could maybe walk us through the growth for various nationalities, especially, you know, given that probably, I presume, the Chinese consumer probably was a bit weaker, given the macro-environment. So, the main ones, like Americans and Europeans, or anything else where you think it's worth mentioning it, and then, secondly, first of all, I think margins are great. So, no-one is complaining here. I just wanted to find out because Jewellery Maisons margin is really impressive, the group level was maybe a little bit lower than some of us had expected. So, I was wondering, Burkhart, if you could maybe tell us if there were any one-off costs involved in that, especially maybe related to some of the M&A you've been doing. So, yes, anything just to help us model, that would be very helpful, thank you.

Nicolas Bos: Hello, Zuzanna, this is Nicolas Bos, I will try to answer your first question. We don't necessarily give detailed results by nationality of clients, but clearly, what we have seen in the last few years, and that was very much accelerated during the Covid period, is that the share of domestic clients has tremendously increased across the regions, and the share, of course, in comparison, of touristic clients has decreased. So, what you see in the results by regions, pretty much reflects the results by nationalities. So, we see very much a decrease of purchases by, you know, Chinese nationals, and we've seen, in the past few years, purchases from Chinese nationals really redirecting towards China and Hong Kong and Macau, instead of Europe, America, and also countries where they used to be very strong before. Same in America. Also, to a wider extent, in Europe, where we've seen, also, a sharp increase of domestic clientele in the last few years. So, pretty much what you see by regions reflects what we see by nationalities, and clearly, there is strong resilience across the board, apart from China.

Burkhart Grund: Okay. So, I hope, Zuzanna, that that answered the question. Let me try to be a bit more granular on the margin, the operating margin. I think, when I compare that to, let's say, the expectations, obviously, there was a slightly lower top-line expansion, yet with some strong underlying strength at the Jewellery Maisons, as we just talked about. I think the impact that you're describing is 2 for 1, there on the gross margin, if we look at a 100 basis point drop there, compared to the prior year, half of that is driven down by the unfavourable exchange rate movements, once again. The impact is lower than in prior years, especially our previous fiscal year, but nevertheless, we still see an impact again this year. So, that's about 50 basis points gross margin. The rest of the gross margin, I think, has various moving parts. I would say in the Jewellery Maisons, strongly impacted or stronger impacted, due to the high usage of gold in our products. This has been, for the largest part, compensated by the impact of price increases last year, and very muted ones at the beginning of this fiscal year. However, we see on the rest of the, let's say, the moving parts of the gross margin, notably, the reduction of demand in, and thus in production of watch components and watches, we see an unfavourable impact on the other margin movements. This is pretty normal and recycles this way through the P&L. If we look at the operating cost growth, and we flag that specifically, that, overall, with the 6% expansion, this looks quite out of sync with the top-line evolution. However, is influenced by, let's say, impacts that we either would qualify as one-off items or perimeter change impacts.

One-off items, clearly, have been linked to the timing of Watches and Wonders, and the related communication spend. Some other smaller elements linked to our business in China as well that we qualify as one-off. Perimeter change, in fact, I'd say the biggest one here has been, clearly, the impact that the Gianvito Rossi acquisition, and now, the consolidation within our numbers has had on the cost space, and linked valuation adjustments to Gianvito Rossi, but also, to the other acquisitions that we did in the first half. If I count all these one-off and perimeter change effects together, that's about close to half of the expansion of the cost base, in the first half, that's about 48% of the expansion. Now, turning to the more organic drivers of the cost base, it's about a good 3% growth underlying. Here, I would say the biggest part of that has been linked to the expansion of our retail network, in the second half of last year, which obviously, created a significant fiscal '24, carry-over effect on our fiscal '25 base, and then, the expansion in '25, you can see it in our boutique numbers, that we have opened a few stores in the first half of this year, and then, the salary increases linked to our retail activity. Other S&D costs, same thing here, fiscal '24 carry-over effects and salary increases, as well, on our administration costs. Underlying, if we back out the communication expenses linked to Watches and Wonders, the underlying communication expenses have actually been slightly below the prior period.

So, to sum it up, one-off items, perimeter change about half of the explanation for the 6% increase in the cost base, and then, the more organics drivers that I just explained and walked you through account for the other half, or slightly more than the other half.

Zuzanna Pusz: Thank you so much. If I may just clarify, well, a clarification for both you and Nicolas, if that's okay. Thank you for the explanation regarding the clusters. May I just check? So, basically, I presume the Chinese cluster, given that, you know, they are mostly spending, well, in Asia, probably the business excluding what's happening among the Chinese consumers, I presume it's growing nicely, sort of, double digits, if I may just confirm that? So, basically-,

Burkhart Grund: That's correct, yes. Double digits.

Zuzanna Pusz: Oh, so, okay. So, excluding the Chinese consumer, you're growing double digits, that's correct, yes?

Burkhart Grund: Hold on, let me just be very clear with this. Outside of what we call the Greater China cluster, meaning mainland China, Hong Kong, and Macau combined, obviously, that includes Hainan as well, outside of that perimeter, growth has been double digits.

Zuzanna Pusz: Okay, and a second one, what kind of-,

Burkhart Grund: I think that's about the fourth, but okay.

Zuzanna Pusz: Okay, and on the one-offs, so, basically, that means that roughly €125 million of one-offs, if I was just to put a number on it. If that was half of the opex increase right?

Burkhart Grund: You're pretty precise, yes.

Zuzanna Pusz: Okay, thank you so much.

Nicolas Bos: Thank you.

Operator: The next question is from Edouard Aubin from Morgan Stanley. Please go ahead.

Edouard Aubin: Yes, good morning, guys. So, just two for me as well. Edouard from Morgan Stanley. Burkhart, some of your peers who have reported recently have indicated that, you know, they've seen a little bit of an improvement in September, October versus July, August. So, I don't know if you could, kind of, comment on that. I mean, nothing meaningful, but how you're seeing things evolve in the past few weeks, number one, and number two, just to come back on the OpEx inflation that you kindly, kind of, broke down, if, you know, grow 3% underlying in H1, I mean, everything else being equal, I know you have many different moving parts, but should we assume a run rate of about 3% for H2 or, you know, in terms of the order of magnitude, if that would make sense? These are my two questions, thank you.

Burkhart Grund: Yes, I mean, thanks for the question, I think that's what I say but, you know, we don't really have a habit of commenting on very short-term trends because they're quite volatile, and we don't really want to or try to guide into the future. What we've seen on the sales evolution across the quarter has been quite stable. I mean, I wouldn't call any specific exit rate out because we've seen a rather stable evolution, and in most markets, actually, we've seen quite a stable evolution, across Q1 and Q2, probably with the exception of Japan, where we've had the re-strengthening of the yen across Summer, which, obviously, had an impact on the mix between local customer base and tourist customers, and an overall reduction, as you can see, in the quarterly growth rate in Japan. Across all the other, I'd say, regions and businesses, I think we've seen rather strong stability, bar some smaller detailed assumptions, and I would really go back to what also, as you're quoting our peers, some of our peers have said that visibility over the business today is very difficult to have. We monitor it, obviously, on a daily basis, but our visibility is not very much into the future on that. On the cost base, I wouldn't confirm any specific number, other than saying that we try, quite consistently, and for a long period of time, to have a cost base that is adapted to the way the business evolves, and also, adapted to fund the strategic programmes that we have across our Maisons. So, it will not always be, over time, pretty much linearly in line with the top-line evolution.

We do our best, however, to take into account short-term evolution of the top-line. If you look at what the Specialist Watchmaker Maisons achieved, which is a cost base, if we exclude communication, which we know is specific for the first half, we look at the cost base, and the cost base has been managed to a level below the cost base of the first half of last year. Now, this is something that has been done quite successfully, and this will be the same spirit, but we cannot guarantee the same numbers, going forward because, as I said, we have strategic programmes that we also invest in.

Edouard Aubin: Okay, thank you.

Operator: Next question is from Thomas Chauvet from Citi. Please go ahead.

Thomas Chauvet: Good morning, everyone. Thank you. Firstly, on jewellery, at the full year results in May, Nicolas and Cyrille kindly shared their views as to why jewellery was perhaps more resilient than other luxury categories, so the sense of meaning, emotion, store value, and so on. Nicolas, could you take this opportunity, maybe, to give us an update on the big jewellery trend and consumer behaviour you're seeing, at the moment, that are shaping the industry, between, you know, aspirational, this is high jewellery, self-purchase, and gifting, iconic lines versus newness, etc., bridal? Would be keen to hear your high-level views. Secondly, maybe for Burkhart, in your appendix on sales by product line, watches were down 6%, constant FX in H1, but Specialist Watchmakers down 16%. So, that would suggest Cartier watches make up for the difference, where broadly flat in the period. So, that's a very, very big different trend, with Specialist Watches. How do you explain that growth divergence, beyond the channel mix, and what can you do to try to rejuvenate the Specialist Watch brands beyond, obviously, waiting for consumer confidence to improve? Just some housekeeping please, on Mytheresa modelling, the net cash position of 6.1 billion at the end of September, does that exclude the 550 million cash you're leaving in YNAP? I think it does, and can you indicate the rough number of shares you will receive from Mytheresa? Thank you.

Nicolas Bos: Good morning, Thomas, Nicolas here. So, thank you for your question. Actually, interestingly, I wouldn't say that we see a specific trend, you know, in jewellery among the lines or the customers. The performance is pretty much across the collections and across geographies. So, we have very good resilience on the very high end, with the high jewellery, unique pieces, special order. There have been a few events, Cartier launched before Summer, their latest high jewellery collection in Vienna, it was very successful. So, we see very good traction on the very high end, but also, on all iconic collections. If you think of, you know, The Love Bracelet, Trinity that was relaunched, in a way, recently, Alhambra Van Cleef, Macri for Buccellati. So, it's pretty much across the board. The trend remains quite positive, as we discussed, you know, in previous meetings, overall. What's quite interesting, and actually, quite amusing sometimes, you know, that is one of the good aspects of the evolutions of today's world, that, for instance, we see many more men wearing jewellery, that was not necessarily designed as men's jewellery, and this is particularly the case, at Van Cleef & Arpels. We never had any, you know, celebrity endorsement, it's definitely quite far away from the world of sports and masculinity, and we've seen notably at the moment of the Olympic Games, a lot of athletes, male athletes wearing Alhambra bracelets, I think they've identified it as a symbol of luck. Probably, a lot of men that would not have worn this type of jewellery, 15, 20 years ago, now, are very, very comfortable with it. So, I don't know if it's going to be a major trend or a new segment, but it's definitely an interesting phenomenon.

That's pretty much the only new trend I would, you know, see emerging, in the last half year or year, definitely, but on the rest, it's pretty much across, and also across geographies. I mean, we've seen, you know, in America, in Europe. So, if we exclude the general slow-down in China, we've seen very, very good traction across the board and across the different price points, and to end on that, you know, we discussed that before, one of the beauties of the jewellery category is that there is quite a wide price offering. Pretty much from an Alhambra pendant, or Love bracelet, to the most expensive, you know, pieces of high jewellery, you have quite a wide price spectrum, and that offers more opportunities sometimes than other categories. I don't know if that answers your question?

Thomas Chauvet: Yes, thank you. Thank you, Nicolas.

Burkhart Grund: No, hold on, hold on, hold on here. We still have a few outstanding questions here. The first one was the, and I'll just repeat for everybody, I'd say the disparity that you identified between the performance of watch sales, or watch growth, or lack thereof at the Specialist Watchmakers and Cartier watches, I'll let you do the math, but I think you touched upon it. Now, let me just give a few thoughts on that. First of all, across the Specialist Watchmaker portfolio, we also have varied performances. And actually, if you think about it, it really depends on, if you think about it, by Maison, by brand. It depends on the relative positioning, one compared to the other, that drives these varied performances. Price points play a role for sure. The unique brand environment, or shall we say brand equity, plays a strong role. The competitive environment, or the competitive situation, definitely plays a role. And that explains differences across the portfolio and in performance. And Cartier specifically definitely is enjoying the strength of a strong brand equity, of an, I'd say, unique positioning and has had a very satisfactory performance not just this year, but in prior years. And as we pointed out, very successful individual collections and products attached with these collections. So, it is more than just a simple everything works or nothing works compared to, I'd say, across a Specialist Watchmaker portfolio compared to a Cartier watch business. We have these variations in performance also within the Specialist Watchmaker portfolio.

The other questions relating to YNAP, first of all, the first question, the 555 million, this is at closing, right. So, we expect to close this transaction somewhere in the next five to six months if we actually get the regulatory approvals. And at that point in time, we will sell YNAP with a cash position of €555 million and no financial debt in there. So, this is not yet at this stage. The number you look at is 6.1 billion. Cash is really the cash at 30th September. And remember that today, YNAP has positive cash holdings which are not included in the 6.1 billion that I just spoke about. Number of shares, I think you can do the math. You look at the number of outstanding shares at Mytheresa and, as it will be new shares issuance, you basically come to the number of shares that we will have once the transaction has completed. Remember, we'll have a 33% stake.

Thomas Chauvet: Thank you, Burkhart.

Burkhart Grund: Thanks a lot.

Operator: The next question is from Chiara Battistini from J.P. Morgan. Please go ahead.

Chiara Battistini: Good morning. Hello. Thank you for taking my questions. Can you hear me?

Burkhart Grund: Absolutely.

Nicolas Bos: Yes.

Alessandra Girolami: Yes.

Chiara Battistini: Perfect. Thank you. My first question would be on precious metals actually, and your thoughts about any mitigating actions you're planning to take, pricing or anything else you can implement that offsets some of the recent appreciation of gold. That's the first question. And second question on Specialist Watchmakers. I was wondering if you could give us an update on the inventory situation in China for watches and overall how you see the outlook for this division into year end and for 2025, please? Thank you.

Nicolas Bos: Thank you, Chiara. This is Nicolas speaking. On the price of gold, of course, it has an impact on our purchasing cost and our margin. Nevertheless, we've been extremely cautious at maintaining the attractivity of our retail pricing, so it's a bit of a catch-22 situation, obviously. But one of the very important developments in the last few years I was mentioning is that the share of domestic clients has really increased, and that's across geographies. And when you're talking to a domestic client, you know, in Japan, or in Europe, their purchasing power has not necessarily evolved tremendously. So, we are very, very cautious not to go for high price increases that would actually disconnect our offering from the local clientele. So, this is being said, we have to absorb, and that shows obviously in the numbers, the impact of the price of gold. We've been extremely cautious for the last 12 months in any price increases. So, there have been a few, but very limited and very targeted to certain countries where we also have exchange rate fluctuations to compensate for. But we believe that it's not something that you can impact fully in the retail prices, so we will continue to be cautious. On the other end, I think, especially on the jewellery side, it's also a factor of attractivity of the offer. Because of course, you know, it's impossible not to see today that the price of gold is at an all-time high and that actually confirms the value of gold jewellery and also gold watches for our final customers. It also plays a positive role into that in terms of attractivity.

Regarding the level of inventory in China, I will let Burkhart answer, obviously. I just want to point out that for quite a few years now, we've enforced a very, very strict discipline at making sure that the production levels and the inventory that we bring to the market is very much driven by the demand and by the sell-out to final customers. So, we are extremely cautious about that. We've seen many cycles in the past where over-inventory of watches is extremely detrimental, and that's to the whole industry. So, we've taken measures, you know, quite early already, and we've seen some, not all the industry sadly, but some of the other players in the watch industry doing the same and making sure that we maintain the long-term attractiveness of these collections by making sure that we don't build an over inventory in the market, and of course particularly in China. Maybe Burkhart will elaborate on that.

Burkhart Grund: Yes. I mean, I wouldn't break it out market by market. What we can say is that we've been quite consistent over probably the last five years in talking about it that our inventory remains healthy in the market. But you're right to point out or ask for China because obviously, inventory flows into the country are not the most complicated ones, but not necessarily the easiest one when you want to shift inventory out of China into other markets. So, the watch, let's say, infrastructure, meaning the distribution in China, is through our own Specialist Watchmaker, but also obviously, the Jewellery Maisons, directly operated store network. That we have full visibility, not just on sales, but also in inventory on a daily basis. So, that is not to be considered a problem area. The same actually applies for the external store network in China where we, as you know, have deployed our own system to monitor sell-out and inventory. So, that position is rather transparent as well to us. And the third element of the distribution makes the multi-brand points of sale. Some of them are under the TimeVallée label, so we also have, you know, which is a distribution initiative run by us, which also gives us quite a good insight. And the Maisons and I speak, let's say, in general for the Maisons, have the responsibility to manage that responsively over time and have done so. So, we are, I'd say, quite happy with the inventory holdings in general across our markets. And as I said before, and many times before, this is monitored on a monthly basis and is part of management KPIs. So, overall, that situation is still quite good.

Chiara Battistini: That's great. Thank you.

Operator: The next question is from Antoine Belge from BNPP Exane. Please go ahead.

Antoine Belge: Yes, hi, hello. It's Antoine Belge at BNP Paribas Exane. So, two questions. So, coming back to China, more Chinese demand, so looking at the overall Asia Pacific evolution, you know, were you concerned that the Chinese cluster, which I think you have mentioned, was down mid-teens in Q1, was more down 20. And in Q2 maybe give a bit more colour on how much Jewellery Maison was down because they're a bit less exposed and probably more resilient. But a bit more structurally, or, you know, at the moment, there are various analyses about what's happening in China. If you're bullish, you're saying it's just cyclical and with the macro will improve, and then usually there are issues in that there are significant changes happening. So, what is your school of thought on that topic, which is structural versus cyclical? And then maybe, you know, one question again on this inventory situation. I know you're not saying (inaudible) but, you know, should we worry a little bit to see inventory on your balance sheets increase beyond the price of gold and the impact of the Swiss franc? Thank you.

Burkhart Grund: Let me start on the China, or Chinese, cluster. Yes, mid-teens down in the first half, sorry, the first quarter, and that, you know, had the domestic and the abroad part, right, or the travelling part of Chinese demand. I would say across Q1 and Q2, what we said, the situation has not massively evolved within mainland China, right? So, the domestic consumption, or the evolution of the domestic consumption in mainland China has been rather stable over the same period, Q1 and Q2. Whereas the outbound demand, and we notably know that in Q1 we had a very strong demand peak in Japan, which was followed in Q2 by still strong demand in Japan, but quite significantly below the peak linked to the strengthening of the Japanese yen over summer. And that has impacted Chinese tourist purchases in Japan and thus has weakened the overall Chinese cluster, you know, that you called out. So, those are really the moving parts behind it. On the inventory side, if we look at inventory, it increased more or less by, or close to, 1 billion since March. Same thing here. Let me try to be a bit helpful with the moving parts behind it. If you look at, and let's take a billion, it's a bit less than a billion, but let's take a billion, there is a good 20% of the inventory increase that is just linked to non-cash movements, right? Meaning valuation, coming from primarily FX impacts. We value our inventory at the balance sheet date, as you know, and we've had a strengthening of the inventory held in Switzerland just linked to the movement of the Swiss franc against the euro.

And then obviously we do that regularly. At the beginning of each year, we have the reevaluation of standards, etc. So, this non-cash movement's together about 22% of the overall increase. Now, that leaves about 78%, close to 80% of the rest, that is the cash impacting the stock movement. Now, here are a few moving parts. We have quite significantly increased our gold stock, which accounts for about 20-22% as well in the first half. We do that quite regularly. It's transitory because, towards the end of the fiscal year, we then manage it down again. We do that also because there are, you know, closures of refiners, etc., over Summer. So, we increase our inventory holdings before that. So, that is transitory, nothing to worry about. So, we stay with about a little bit more than 500 million of inventory increase here. Finished goods increase only about a third of that. In finished goods, the rest is increase in components and work in progress. Stone purchases are included in there as well. So, I'd say unfinished inventory. If the worry is excess inventory or excessive inventory, here finished goods are the minor part. A very, very minor part, only about 15% of the overall increase. Thanks.

Antoine Belge: Thank you. Maybe on the more structural versus cyclical, you know, nature of the slowdown in China.

Burkhart Grund: I think your guess is as good as ours. I don't want to be flippant on it, but I think we've said it for a while that we believe that what is stacked up in China against, let's say, the feel-good of the Chinese consumer is quite significant. I mean, we have a very strong negative wealth effect linked to the real estate problem in China, and I think that is still persistent and will take years to work through. And that is what we see today. We believe mid-term that China still has an unbridled potential, but until this has been worked through, and this is one of the other points that we've discussed over the years, is still pretty much dominant today.

Nicolas Bos: Yes, Nicolas. I would add to that, that something that we don't actually mention so much or discuss. When you see another investment into a production capacity that large, they're not only into producing more. I think that definitely, we are living in a new environment that holds, you know, for more reactivity and pushes us to be more nimble and agile. And a lot of the developments on the production side and logistics side in the past few years and still today and the investments attached to them are about building more flexibility in the system. Being able, you know, to shift production from one collection to another depending on the evolution of sales. Being able to shift the allocation of inventory from one market to another depending on the evolution of the situation. We're facing cycles that are probably shorter and shorter sometimes, and we are making sure also that our whole organisation enables to be cautious when things get tougher, like what we see in China these days. But also be very nimble and reactive when things improve and to be able to redirect, you know, production and inventory towards what, we feel, are the relevant connections and the relevant geographies. So, it's also an important investment across the board. But that enables us to be more reactive and probably more prepared for cycles that honestly, we can't imagine that they're going to be more stable and more predictable in the future, so it's more up to us to be more adaptable and more nimble for sure.

Antoine Belge: Thanks.

Operator: The next question is from Louise Singlehurst from Goldman Sachs. Please go ahead.

Louise Singlehurst: Hi, good morning everyone. Thank you for taking my questions. I wondered actually if I could just follow up again on the hot topic of China. I guess, you know, historically Mr. Rupert, the group, you've been very good at highlighting the risks, the consumer environment. You've been very good to call that over the years. And I just wondered if, there is a case or a scenario where the worst may be now behind you, or it's bouncing along the bottom? I'd be really interested to hear about the sentiment on the ground across your business. And then my second question is just on space. If I look at the number of stores in the retail network, it does strike you that there's a huge opportunity still for Cartier, as well as Van Cleef & Arpels and across other opportunities in the group. Is there the opportunity now, in this environment, to also take opportunities to increase the space? Particularly in markets such as the US where momentum seems to be incredibly strong? Thank you.

Nicolas Bos: Thank you for your question. Nicolas speaking. Very true. I think that, you know, retail networks are pretty much living organisms, so we continue to adjust and adapt them. And clearly, you know, in areas that are tougher, there are opportunities. You are mentioning the United States. We've seen, (TC 00:40:00) for instance, in the past few years the development, quite significant, of markets within the United States that were not the markets that we were traditionally addressing, which were pretty much both coasts, you know, East Coast, West Coast. And we've seen, more and more cities, like Austin, like Tampa, in Florida, in Texas, in those regions, that are really developing. Atlanta. And here we are developing our networks and our opportunities and it's true that maybe if there is a bit of a slowdown somewhere, it's going to provide more opportunities for retail development. We are extremely attentive to that. Everything has to be part of a long-term strategy. So, of course, we look at the long-term development and consistency of our network, but it doesn't prevent us from being opportunistic sometimes when there are possibilities to capture great locations.

Burkhart Grund: And Louise, on China. You know that we try to be helpful, but when we don't have the visibility, and we don't want to go out on a limb, so I wouldn't venture any guess, any prediction at this stage on China and have we touched the bottom or not. That would not be responsible.

Louise Singlehurst: Thank you.

Operator: The next question is from Jon Cox from Kepler. Please go ahead.

Jon Cox: Yes, good morning, guys. Jon Cox with the Kepler Cheuvreux. A couple of questions for you. I might do a bit more than two, but just where you guys are on the outlook. Because it seems that it's a strange world where the China engine is not doing very well at all, but the rest of the world seems pretty good. So, are you, sort of, running things in terms of costs and advertising that the rest of the world is okay, doing pretty well? And then in terms of China itself, you know, squeezing the costs within watchmakers particularly given the negative leverage we saw in H1. And incidentally, I welcome your comments about the one-off costs in H1, which shouldn't be repeated in H2. That's the first question. Second question is just on price points. You talk a little bit about how maybe the high-end watches are holding up. Could you talk a little bit about jewellery and this idea that maybe genuine luxury items are holding up better during this, sort of, slowdown, downturn in the luxury goods industry compared to aspirational and maybe more fashion-led products? Then a question on tariffs. If tariffs are introduced for the US, for products coming into the US, what would your thoughts be? Would it just be passed through, or would you absorb some of the tariffs if and when they are put through? And the last one's just a bit of housekeeping, just on CapEx for H2. You said 3.5% of sales in H1, a little bit above H1 a year ago. Will you be, you know, looking for a similar figure in H2, or given the environment, maybe a little bit more prudent given your history of managing cash when things are a little bit more fragile? Thank you.

Burkhart Grund: Let me just probably answer that question first because it's the easiest one. 3.5% in the first half, that's slightly above the 3.3% we had in H1 of last year. Now, this has something to do as well with the manufacturing investments we did, which are actually in this first half stronger than they used to be in the prior periods, but nothing I'd say to worry about. We've spoken about need to invest in manufacturing capacity at the Jewellery Maisons specifically. This does not mean watches. And I would say, so, this is a timing issue. It just happened now, but these projects don't happen within a few weeks or a few months. These are long-term planned projects that now have come to fruition in the first half of this year. For the full year, I think we are, at the rate that we've observed over the last few years, around 5% of sales over the full year. It's been remarkably stable. And as Nicolas said just a few minutes ago, you know, we are quite willing and able to see, especially in this environment, that if there are great opportunities to strengthen in certain locations, our brand presence, then we will seize them. That is irrespective of the cycle in which we are because these are sometimes opportunities that very, very rarely, or only over a very long cycle or period of time, come up. So, when we see those, we will be seizing them if possible. So, that might impact the overall envelope, but we don't think massively.

Nicolas Bos: Yes, thank you. As for the tariffs, obviously, you know, there's not much we can comment on that, purely speculative at this stage, so we will wait and see, as the rest of the world. When it comes to jewellery, I think, you know, we've gone through many, many cycles as of course

I'm a bit biased with jewellery. But I think the beauty of it, one of the beauties of it, is that it's at the same time very enjoyable and can be quite fashionable, and it also always bears an investment value. And we've seen that, you know, in tougher times, or complicated, let's say, cycles that this reassurance associated with the investment value of jewellery is actually a very positive factor. So, the whole equation, in a way, and I think what all brands are doing quite well, is to maintain the desirability and the fashion element, in a way, together with the investment dimension and the legacy. And if you think that, you know, the Alhambra Collection was created in 1968, has been quite fashionable ever since. The Love Bracelet was created in 1969, so they've been fashionable for more than 50 years. I think there are elements of reassurance to a lot of customers and that makes us quite optimistic, on the further potential of jewellery, even in today's economy. And as we were discussing before, a potential that's also across geographies and across price segments. Our Jewellery Maisons are very, very attentive to developing extraordinary, unique pieces that are on the very high-end, high jewellery creation, but at the same time maintaining an offer that's affordable, maybe not to everybody, but to quite a wide clientele. And that's relevant also to all cultures and geographies. And this is, I think, the strengths of Cartier, of Van Cleef and Arpels, and Buccellati in that field.

Jon Cox: Thank you.

Operator: The next question is from Luca Solca from Bernstein. Please go ahead.

Luca Solca: Yes, good morning. Luca Solca from Bernstein. I have two questions. One is on whether the labour cost containment measures, especially when it comes to the Specialist Watchmakers, were already introduced in the first half? I'm referring to furlough or kurzarbeit, and whether that could potentially be a mitigating factor to support the operating profit margin of the Specialist Watchmakers division in the remaining part. The second question relates to how you see Chinese demand in Japan. I find it a bit intriguing that Chinese demand reacted quite quickly to the Japanese Yen strengthening, which makes me think that there was a significant amount of professionals buying products in Japan. Not just for you, but for your peers as well that have reported a similar trend. Do you think that that is a reasonable assumption? Do you have an assessment of how important professionals versus genuine Chinese tourists were in the proportion of demand you were experiencing in Japan related to Chinese nationals? And do you think as a consequence that professionals could be pausing to just wait and see where the currency could go, and then restart purchasing, either in Japan or elsewhere? Thank you very much indeed.

Nicolas Bos: Thank you, Luca, Nicolas here. A very precise question as always. Your second one is very, very relevant. So, I think that, you know, Japan has been a very appreciated and attractive destination for Chinese and Asians at large, non-Japanese, for a very long time. And we've seen that after Covid it became, really, one of the top, top, top destinations, where definitely, travel to Europe or America is still very limited. But travel to or within Asia, and particularly to Japan, has redeveloped. So, I think the prime motivation is very much tourism and then shopping is part of the experience. And a favourable exchange rate, of course, was quite helpful. So, we've seen quite a strong development, as you know, of international purchases. Chinese, but not only Chinese, interestingly, a lot of South Asian, you know, Singaporean, Indonesian, Thai, a lot of these customers buying in Japan on top of the domestic Japanese clientele. I think it's fair to imagine that some of these purchases are professional, as you say, meaning that, they are part of a grey market in the sense that they are not only customers buying for themselves but buying for others and possibly in an organised manner. We are extremely attentive to that. I think today, it's very, very difficult to measure or even to assess the share of that. It's clear that it exists. But it exists in a very organised manner in a sense that it's really unique individuals buying in retail stores and we are making sure of course that we are never selling, you know, in quantities we don't sell. You know, several pieces of the same reference. We are extremely attentive. We are respectful of every customer, of course, but we are extremely attentive. Any time there can be a doubt, let's say, about the nature of the purchase and where it's going to end up finally, we are very, very cautious. Because we don't want to feed any form of grey market and because we really want to protect the local Japanese clientele, which remains our first priority in Japan.

So, yes, it exists and is still difficult to measure. It's probably very, very smart and well-organised. It's not at all the type of, grey market that we used to know in Japan. You know, 20 years ago, very organised, high volume. Here, it's very, very detailed. Using a lot of social media, obviously, and probably customers knowing exactly what reference, what colour, what size they buy for a third party. But we are very, very attentive to that. On your first question, we've not been using furlough or any of these systems or principles and so forth. We'll see in the future. It's a very, very good system, actually, that exists in Switzerland that companies are paying for in good times that are really unable to maintain the quality of the workforce and the maintain the expertise and the craftsmanship in tougher times. So, we have not been using it so far, but it's clearly part of the toolbox that's available, to quote Burkhart. That's available, to make sure that we maintain the quality of our production capacities without creating unnecessary inventory, which once again, is a very, very important point of attention these days. I don't know if that answers your questions.

Luca Solca: Absolutely, thank you very much indeed, Nicolas.

Nicolas Bos: Thank you, Luca.

Burkhart Grund: Thanks, Luca.

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

Erwan Rambourg: Yes, hi, good morning everyone. Erwan Rambourg from HSBC. Renewed congrats to Alessandra and Nicolas on their new roles. I wanted to focus on two regions doing quite well. First on the US, where you're up double digits, and I'm just wondering if you can compare and contrast or highlight any particular brands doing well, or any particular positioning. You know, is it more the affordable side, is it more the higher-end side? I'm a bit intrigued by Reuters' headline is saying, Richemont expects pickup in the US with the election uncertainty now out of the way. A pickup from double digits is a bit counter-intuitive, given it's already strong. So, if you could just give us a few details on why you think you're outperforming so substantially in the US. And then the second market I wanted to focus on is the Middle East, where again, here you have very strong growth. We understand that Dubai is probably strong for the industry, we understand that Saudi is maybe a bit over-hyped in the short term. Again, can you tell us what markets are doing well there? What brands are doing well? And maybe how consumption is broken down between locals, tourism flows, Russians, getting settled, etc. You know, who is driving that growth, basically, in the Middle East? Thank you.

Nicolas Bos: Good morning, Erwan. Nicolas speaking. I think that, for America, I touched upon it earlier, we've seen a lot of positive developments and one of them being, really, the strong increase of business and development of business in cities where we were not necessarily present before or that we didn't really consider back in the day as strong markets. And particularly, cities that are not on the East or West Coast, typically Texas, Florida, other cities. So, that is, I think, one of the important factors of growth. The growth there is pretty much across the brand where you see it stronger for the jewellery brands. You see they are up 12%, and fashion accessories, watch brands were more stable. And I think it's driven by the history and the quality of the network and the connection with customers. I think we've seen that Cartier's been in the US for more than a century, Van Cleef & Arpels for 80 years. They are sometimes even considered as American brands by their clientele, and they've built very long-term and strong relationships with the communities over there. So, that's really a strength. So, very much on the jewellery brands. It's the case also for some brands, you know, of the F&A. Peter Millar is a very, very strong brand in America. Obviously, an American brand. We've seen also, we are mentioning, you know, the success of Alaïa with their store in New York and the show that they had at the Guggenheim Museum in September are doing very well, so we have quite a few examples there that are very positive.

When it comes to the Middle East, same, it's very much, you know, different by category. We see that we have a strong performance in the Middle East for fashion brands and for jewellery brands. It's more subdued for the watch category in the first half. Very much driven by UAE, so Dubai, Abu Dhabi, which is very much the core of the activity. And also KSA, Saudi Arabia where we've invested a lot in the distribution network in the past few years, and we see a very important business developing there. So, it's a bit the same, you know, brands in America. And driven by UAE and KSA mostly, and still with very, very promising prospective there, I believe.

Burkhart Grund: Sorry, Erwan. Just on the US, I wanted to clarify what you were referring to on the Reuters headline, right? The point is, we've said that we usually have volatility in our business in the run-up to a US election and that has not really happened this time around. We've had quite a consistent business development across the first two quarters of this year. And now, the election is out of the way, we are actually heading into, and I think that's what Nicolas was referring to, we are heading into the Christmas period now, where we usually have quite a strong business. So, let's not interpret anything else than that, and that was factually what we were referring to this morning in a prior call. So, no significant acceleration because this is going into the holiday season and would be pure speculation at this stage.

Erwan Rambourg: That's very clear. I just wanted to follow up on the comment on the Middle East, just to get a sense of who's actually buying, you know, between the locals, between the Chinese, between the Russians, between possibly other nationalities in the Middle East.

Nicolas Bos: What we see is very much locals and residents. I think that the very important touristic Chinese traffic that we experienced, you know, a few years ago has not resumed. And the development of the Middle East in the last few years is definitely with local and regional customers. In KSA, clearly with local customers. Saudi Arabia, and in UAE with locals and residents. So, the touristic component has really decreased from, five or six years ago.

Burkhart Grund: Yes. And the tourism is more intra-regional, right? And that has remained quite stable over the course of this year.

Erwan Rambourg: Okay, very useful. Thank you so much. Thanks.

Nicolas Bos: Pleasure, bye.

Operator: The next question is from Patrik Schwendimann from Zürcher Kantonalbank. Please go ahead.

Patrik Schwendimann: Patrik Schwendimann, ZKB, good morning, Nicolas, good morning Burkhart, good morning Alessandra. Congrats for the still good growth of the Jewellery Maisons, Asia, ex-China, and Europe are doing amazingly well, I would say. Do you expect any slowdown in these regions? What is your gut feeling here in terms of the environment? Also because we have, maybe in the current quarter, a little bit higher comps. Then the second question, what do you think was the growth of the branded jewellery market versus the overall jewellery market? Thank you.

Nicolas Bos: Good morning, Patrik. Nicolas here. On the second one, it's always difficult to put numbers, but we really assess that it continues to grow. So, I cannot know I was mentioning that I remember 20, 25 years ago we used to assess, in general, that the branded jewellery represented, maybe 5% of the market. I think today we would assess probably it's around 25%, maybe a bit more. And it continues to evolve. It's difficult to know exactly to what extent, at what pace, but we see the importance of brands in that category really developing. Interestingly, even if it's anecdotic in the numbers, but even, you know, in a country or subcontinent like India, which traditionally was very much about what we consider non-branded jewellery and where we see a really high level of desirability building for the brands. Still not significant in our numbers, but it's another sign that the phenomenon of branded jewellery progressing is far from being over yet. On your first question, which was on the development of the regions.

Burkhart Grund: Outside of China.

Nicolas Bos: Outside of China. I think we're still very positive. So far, we've seen good traction in America, good resilience in Europe, good traction, we are touching upon it in the Middle East and Japan. We consider that there are still opportunities there. We are of course, you know, cautiously optimistic, as we used to say, but we continue to develop our presence, our networks, at a prudent pace. But we feel that yes, America for sure, Middle East, Japan also with domestic clientele, continue to offer opportunities for growth for our brands.

Burkhart Grund: And Patrik, just to add to that. Probably just one technical point, we will in the fourth quarter, or starting the fourth quarter of our fiscal year, start to see higher comparables in Japan especially, right? So that's more a technical effect. Probably see a bit easier comps in China, but stronger comps in mainland China, sorry, in Japan. So, these are more the technical aspects.

Patrik Schwendimann: Okay. Thanks a lot, Nicolas and Burkhart.

Nicolas Bos: Pleasure. Thanks.

Operator: The next question is from Rogerio Fujimori from Stifel. Please go ahead.

Rogerio Fujimori: Hi, good morning, everyone. I have two questions. One is on the Other divisions. It's quite solid, actually, at +4%, that I noticed that clothing was up 10% in H1, leather up 4%. So, both categories actually outperformed jewellery. We've talked a little bit about Peter Millar and Alaïa's strength in the US, but I was wondering if you could expand a little bit on the standout performance in other Maisons and also the laggers like probably Montblanc. Talk a bit perhaps, the other book for H2 for Alaïa and Chloé, and how recent acquisitions like Delvaux, Serapian are performing. And how should we think about profitability for other Maisons in H2? Should we expect more re-investment and a similar magnitude of losses? And then it's just a quick one on Europe which improved a bit sequentially in Q2. Up 6%, and you called out strength in Spain and Turkey. Could you talk about the contribution from European locals? Was it similar to the high single digit growth recorded in Q1? Thank you.

Nicolas Bos: Hello Rogerio, Nicolas here. I think that on the other categories, F&A Maisons we mentioned a few specific developments that you mentioned. We have also heard the performance of Watchfinder, which is actually doing very, very well this year. Putting the activities in Europe, primarily in the UK. So, that's very different from the Fashion & Accessories, but that's also consolidated in these numbers and with very, very strong growth. You know, it's second-hand watch activity, physical and online. And yes, we mentioned, definitely Peter Millar and Alaïa on a very strong growth pattern. Chloé, I mentioned a bit earlier, with a bit of a mixed performance in the numbers, really linked with the history in the past few years. But high desirability of the new collections. Delvaux, quite stable, doing well. It's a beautiful brand, you know, very, very specific segment of the very high-end of leather, suffering, of course, from the situation in China where they were very, very strong historically. But developing their activities, and particularly in Europe. And also in Europe. So, yes, mixed performance. As you point out, actually, better results than the jewellery category. So, a very diverse, let's say, performance. But positive on the whole. And when it comes to Europe, definitely the growth that we've seen in Europe is associated with the performance with the domestic European clientele that all the brands have been really, refocussing on since the Covid times.

We also benefitted of course, from the comeback but already for a few years of tourism in Europe. Regional tourism, so a lot of European tourism within Europe and also American and Middle Eastern tourism. Asian tourism is still very, very limited. But it's primarily the domestic European clientele, European residents that are developing, which is very healthy, the way we see it, it actually provides for quite good opportunities and we see, I'm thinking for instance of Van Cleef & Arpels that opened, you know, quite recently in Spain. Just opening these days in Amsterdam, Netherlands, so they are still very important and with our affluent countries within Europe where we didn't necessarily have a strong presence with some of our important Maisons. And that we believe are offering opportunities for further development in our home countries. I don't know if that answered your question.

Rogerio Fujimori: Thank you.

Nicolas Bos: You're welcome.

Operator: The next question is from Carole Madjo from Barclays. Please go ahead.

Carole Madjo: Good morning. Just a couple of questions from me. The first one, just to come back on the pricing. You briefly mentioned that before, but can you quantify the level of price increase that you are expecting in H2 in jewellery? And the second question also on jewellery, so back on the overall market, have you seen any change in the competitive landscape for the jewellery segment? So, new entrants, of course, we see now the soft luxury players also a bit more present in hard luxury. Any change here worth flagging, which maybe makes you want to invest a bit more or at a faster pace in your own business? Thank you.

Burkhart Grund: Yes, Carole. Burkhart here. Let me tackle your first question by not giving you a positive answer. I think it's way too early to talk about price increases, etc. And we've very persistently kept pricing at an attractive level for our customers and will not venture out now with any discussion on that in the short term.

Nicolas Bos: Yes, Carole, Nicolas here. On the second one, yes, it's a moving landscape, an evolving landscape, jewellery. It evolves at a rather slow pace, but it does evolve. And yes, if we look at the last couple of decades, we've seen the emergence of newcomers that can be new pure players as we call them. I'm thinking, for instance, a brand like Messika that has really developed very nicely, actually, as a jewellery brand. And also, of course, a much stronger offer from fashion brands. You know, Chanel, Dior, Hermes, that have redeveloped their jewellery including sometimes fine and high jewellery offers. So, it's a landscape that's evolving. Clearly, one of the big changes was that non-traditional players like these fashion houses enter that market and have become quite important there. At the end of the day, it has provided for, more competition but also more creativity. It means that jewellery has been talking to many more customers that were not necessarily considering jewellery before. So, we've seen that as a rather positive component. It's a very active and vibrant category that continues to grow. So, and I believe that today and it's probably even more clear in periods like the one that we are seeing, brands are really concentrating on their identity and what makes them, special and distinctive. Avoiding confusion and overlapping, and this is what we see also in the different successes, within the group and elsewhere. It's very much when brands concentrate on their specific identity and DNA that they are successful. So, yes.

But from the Richemont perspective, we still love traditional, historic jewellers that have actually set the tone for the category. So clearly, Cartier, Van Cleef & Arpels, you know, Buccellati for sure, and this is why we are very, very happy to welcome Vhernier, which to me is among those, recent brands. It was created, maybe in the '80s. It's one of the brands that has been able to develop a very, very specific new and distinctive style while remaining a pure player in jewellery. And this is typically the type of brand that we're happy to add to our portfolio, really complementing the ones that we already have. So, it's quite a nice product category.

Carole Madjo: Thank you.

Operator: We now have time for one last question, which comes from Piral Dadhania from RBC. Please go ahead.

Piral Dadhania: Okay, thank you for squeezing me in. It's Piral from RBC. I just wanted to ask on the appetite and the opportunity for M&A in the watch industry. Obviously, the sector is going through a tougher time right now, and the last few acquisitions that Richemont has done have been either in jewellery or in the soft luxury category. So, I just wanted to understand if you guys are looking at the space through a more opportunistic lens, given potentially more attractive valuations. And then secondly, just on your dynamic pricing policy, I think you touched on it before, Nicolas, in terms of professional buying in Japan, given FX rates. I think you're one of only two large, luxury groups who operate this type of pricing. I just wanted to understand how difficult it is to manage, currently, given the volatility in the FX rates, and whether this is actually becoming a bit more of a competitive advantage because you're seeing less travel flows and offshore purchasing, given your commentary around cluster growth rates being quite similar to regional growth rates. And whether you may roll this pricing policy out to some of your smaller brands because I think it's only currently in a couple of your larger jewellery brands. Thank you.

Nicolas Bos: Thank you. On the last one, we believe in, it might sound naïve, but we really believe in what we call fair pricing and, as we said, maintaining the attractivity of our collections to local customers. So yes, we've organised all of our brands around that and making sure that, you know, the pricing difference from one country to another remains quite limited, in a tunnel of, as we say, 85 to 105 pretty much, without tax. That's maintaining, once again, the fairness of the pricing and also as an interesting impact to limit, of course, the temptations of professional purchasing and grey markets. So, it's something that's very, very important, that we maintain and will maintain in the future. And it's pretty much across the brands. Although some of them are more maybe equipped or advanced there, but the philosophy is definitely the same. On M&A, obviously, we don't give any indication. But what you can see from the purchases historically and more recently is that we are very, very attentive to companies that do have a real identity, a real history, a very, very strong dimension of craftsmanship. And that do complement our existing portfolio. I was mentioning for the jewellery category. If you think of, a Gianvito Rossi was definitely complementing the rest of our Fashion & Accessory category. So, this is pretty much the way we look at it and, of course, each category has their own dynamic. But the philosophy is always the same. You know, to make sure that we are adding to the portfolio for the long term. And that brands do complement each other. And that, for the final customer, they're offering complementary collections. So, this is pretty much the spirit in which the group has operated for a very long time and that will remain so.

Alessandra Girolami: I think this now concludes the call. Thank you very much and I look forward to speaking to you in the next few hours, I’m sure. Thank you.

Nicolas Bos: Thank you.

Burkhart Grund: Thank you.