RICHEMONT

FY22 Interim Results

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Operator: Ladies and Gentlemen, welcome to the Richemont FY22 Interim Results Presentation. I am Alice, your call operator. The conference must not be recorded for publication or broadcast. At this time, it is my pleasure to hand over to Sophie Cagnard, Group Corporate Communications Director. Please go ahead.

INTRODUCTION: Sophie Cagnard, Group Corporate Communications Director

Sophie Cagnard: Thank you, Alice. Good morning everyone. Hope you are keeping well. Here with me are Johann Rupert, Chairman, Jérôme Lambert, Group Chief Executive Officer, Burkhart Grund, Group Chief Finance Officer, Cyrille Vigneron, Cartier Chief Executive Officer, Nicolas Bos, Van Cleef & Arpels Chief Executive Officer, and James Fraser, IR Executive. We are pleased to welcome you to Richemont's results presentation for the six-month period ended 30 September 2021.

We would like to remind you that the company announcement and financial 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, may I draw your attention to the disclaimer on our presentation and company announcement regarding forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995.

Turning now to the presentation, Burkhart will begin by discussing the financial highlights and Group sales. I will then provide further detail on the performance of our Maisons and Online Distributors. Finally, Burkhart will walk you through the financials and offer some concluding remarks. This presentation will be followed by a Q&A session. I will now hand the call over to Burkhart.

HIGHLIGHTS: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Thank you, Sophie. Good morning to everyone listening. Thank you for joining us today.

Sales for the six-month period ended September 2021 showed solid growth, rising by 65% versus the prior year period at constant exchange rates and by 63% at actual exchange rates. Sales are now 24% higher than two years ago at constant exchange rates and 20% higher at actual exchange rates.

Our Group emerged stronger from the pandemic, with double-digit sales growth vs the first half of the prior year across all business areas, channels and regions. Compared with the same period of two years ago, at constant exchange rates, all business areas and channels, and most regions, also grew.

A significantly improved operating leverage, due to strong sales with a contained increase in costs, led to an operating profit of 1.95 billion euros, up by 331% over the prior year period, with an operating margin of 21.9%. Compared to September 2019, this represents a 67% increase in operating profit and a 620-basis point gain in operating margin.

Profit for the period amounted to 1.25 billion euros.

The net cash position was very solid at 3.15 billion euros, an increase of 1 billion euros versus September 2020 after the dividend payment of more than 1 billion euros just recently.

Benefiting from the enduring appeal of its Maisons and businesses, Richemont has significantly exceeded pre-pandemic sales levels overall, and across most business areas, channels and regions. Compared to the six-month period ended September 2019, we saw strong sales growth at the Jewellery Maisons and Specialist Watchmakers. Online Distributors recorded steady growth and the 'Other' business area consolidated their position.

Profitability was enhanced with the Jewellery Maisons achieving an exceptional half year 38% operating margin, supported by 67% year-on-year sales growth. The Specialist Watchmakers delivered a strong 22% operating margin, fuelled by a 74% year-on-year sales growth. Overall, higher sales, improved gross margin and continued cost control led to a strong operating margin. Richemont's digital transformation continued. We achieved robust growth in online retail sales, notwithstanding the reopening of physical stores. We are transitioning towards a hybrid model, mixing 1P and 3P distribution at NET-A-PORTER, MR PORTER and YOOX, to meet the needs of brand partners and offer more choice for customers.

In June, we announced the acquisition of Delvaux, the oldest luxury leather goods Maison in the world, to strengthen our presence and savoir faire in leather. Delvaux will be able to leverage the Group's global presence and digital capabilities, to develop omnichannel opportunities and customer engagement.

Let us now turn to sales by business area.

On a quarter-by-quarter basis, sales have continued to sequentially accelerate – as evidenced by the strong Q2 performance – and this both on a one-year and two-year comparison basis. Jewellery Maisons continued to perform strongly with a high double-digit sales increase year-on-year. Compared to the same period two years ago, the first and second quarters had solid growth, which led to a 36% increase in the first half. Sales at Specialist Watchmakers, Online Distributors and Maisons under the "Other" business area all accelerated in the second quarter, leading to solid and positive one- and two-year sales growth comparisons at constant exchange rates.

OPERATIONS: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Let me now discuss the Group sales performance in more detail: first by region and then by distribution channel.

At actual exchange rates, year-on-year sales grew by 3.4 billion euros to now 8.9 billion euros with all regions experiencing growth and posting double- to triple-digit sales increases. The strongest growth came from the Americas, which represented 22% of Group sales, up from 16% of Group sales a year ago. The Americas' share of Group sales is nearly on par with Europe which, after a 63% year-on-year sales increase, accounted for 23% of Group sales. Asia Pacific is the largest region in terms of sales, representing 42% of Group sales. The largest contributors to the first half sales increase were Asia Pacific and the Americas.

I will now discuss the sales performance on a one and two-year comparison basis, at constant exchange rates. When comparing to the first half of 2019 i.e. two years ago, there were strong double-digit increases in the Americas, Asia Pacific, and Middle East and Africa. Asia Pacific saw robust growth across most main markets, notably China, Macau SAR and South Korea. Europe and Japan recorded softer sales due to lower tourist spending owing to ongoing Covid-19 related travel restrictions that more than offset encouraging local demand.

In the second quarter, all regions accelerated versus the first quarter, notably the Americas and Europe, where a partial resumption of international travel and sustained local consumption contributed to the improvement.

Let us now turn to sales by distribution channel. All channels performed well. As stores reopened, traffic returned and retail sales grew by 71% versus the prior year period and by 34% versus two years ago. Performance was strong across all regions and business areas versus last year. Growth was particularly high in Asia Pacific, Europe, the Americas and, compared to two years ago, Asia Pacific and the Americas also enjoyed double digit growth, including robust increases in China, South Korea and Macau SAR.

All business areas posted significant sales increases, with the Jewellery Maisons contributing the most to the growth in sales. Compared to two years ago, both the Jewellery Maisons and Specialist Watchmakers achieved strong double-digit sales progression.

Sales benefited from 17 new net store openings, mainly in Asia Pacific and Japan for the Jewellery Maisons and Specialist Watchmakers. We also completed renovations at several Cartier boutiques. Retail was by far the largest contributor to Group sales, accounting for 56% of sales in the first half of the year, up from 53% a year ago.

Online retail achieved a 38% year-on-year sales increase and a 33% increase versus two years ago. The growth in online retail sales is all the more noteworthy as it continued while mono-brand and multi-brand stores reopened. As with the retail channel, the growth in online retail was strong across all regions and business areas. The strongest increase came from Asia Pacific and the Americas, as well as from the Specialist Watchmakers, albeit from a low base, and the Fashion & Accessories Maisons.

Online retail made up 18% of Group sales in the period, compared with 22% in the prior year period. Offline and online retail combined, which are the direct to client interaction, contributed 74% of sales in the first half of the year. This high level of direct interaction enables us to get to know our clients better thereby further improving our quality of service as we gain an increased understanding of what our clients want, when and where they want it.

Now moving on to Wholesale sales, which include sales to mono-brand franchise partners, to third party multi-brand retail partners as well as sales to agents in addition to royalty income. Wholesale sales comprised 26% of Group sales and were up by 74% versus the prior year period and by 2% compared to two years ago. The year-on-year increase was broad based across all regions and business areas. It is worth highlighting that sales returned to growth versus the pre-pandemic period of two years ago. Year-on-year, Europe, Asia Pacific and Middle East and Africa, all posted double-digit sales increases while sales in Europe and Japan remained below pre-pandemic levels. Over to you Sophie.

OPERATIONS continued: Sophie Cagnard, Group Corporate Communications Director

Sophie Cagnard: Thank you, Burkhart. I will now review the business areas, with all comparisons at actual rates.

Let me start with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels. The Jewellery Maisons emerged stronger from the crisis. They posted a stellar first half across all regions and channels versus the prior year period. The strongest growth came from Europe and the Americas. Asia Pacific enjoyed significant growth and provided the highest contribution to the increase in sales.

Compared to two years ago, the Jewellery Maisons achieved a 36% sales growth, with steady performance from the first to the second quarter. Most regions recorded solid double-digit sales increases, with the exception of Europe broadly stable and Japan down double digit due partly to reduced but improving tourist spending. Demand with local clientele was sustained.

Operating result rose by 109%, with an exceptional half year margin of 37.9%. This excellent performance is a result of higher sales just mentioned, increased manufacturing capacity utilisation and good cost control.

Let us look at the main developments over the past six months. The Maisons benefited from the successful introduction of new references within iconic collections. These included additions to *Panthère* and *Clash* at Cartier, to *Frivole* and *Perlée* at Van Cleef & Arpels and to *Opera Tulle* at Buccellati. High jewellery also returned to growth with the introduction of new high jewellery collections and the return of physical events and reopening of stores alongside digital events.
To meet the strong level of regional demand, Jewellery Maisons accelerated agility in production and supply management. Store renovations also continued at a high rhythm for Cartier and Van Cleef & Arpels within a stable physical store network. Already one hundred Cartier stores out of 268 are under the new concept. Cartier reopened boutiques in Taiwan Sogo BR4 and Singapore Marina Bay Sands. New store openings included Paris La Samaritaine for Cartier and Wynn in Las

Vegas for Van Cleef & Arpels. Buccellati is undergoing a qualitative improvement of its distribution network combined with targeted store openings and the internalisation of the Japanese distribution network. At the same time, the Jewellery Maisons increased their online reach. The number of markets offering e-commerce facilities almost doubled in two years for Cartier.

Our Maisons have also continued to be active in advancing the Movement for Better Luxury. Entrusted by Richemont, Cartier, in partnership with Kering and the Responsible Jewellery Council, launched the 'Watch and Jewellery Initiative 2030', with objectives covering environmental, sourcing and social issues. Van Cleef & Arpels partnered with the Musée national d'histoire naturelle in Paris to protect nature and biodiversity, including botanical gardens preservation and awareness programmes. Buccellati initiated the process to become certified by the Responsible Jewellery Council.

Let us now review our Specialist Watchmakers business area, where sales in the first half grew by 74% versus the prior year period and by 7% versus two years ago. We are pleased to report that sales in the first and second quarter of our financial year both surpassed pre-Covid levels and accelerated to reach double digit growth in the second quarter. The first half was characterised by very strong growth across all regions, Maisons and channels, with online retail growing by triple-digits. Regionally, the strongest growth came from the Americas and Middle East and Africa, both with triple-digit sales progression, supported by strong local demand. Inventory continues to be tightly monitored, with sell out being above sell in.

The operating result increased significantly to 376 million euros, achieving a margin of 22.4%. This was largely the result of strong sales, improved manufacturing capacity utilisation and tight cost control.

There continued to be solid performance of iconic collections. Just to name a few: *Overseas* at Vacheron Constantin, *Pilot* at IWC, *Reverso* at Jaeger-LeCoultre, *Luminor* at Panerai, *Possession* and *Polo* at Piaget and *Odysseus* at Lange & Söhne.

Further development of e-commerce and new omnichannel services, including 'click from store' and 'ship from store' supported the triple digit growth of online retail sales, albeit from a low base.

The first half saw an extension of the retail network, including a greater emphasis on franchise stores with 30 openings. The 14 new internal stores included IWC in Seoul and Jaeger LeCoultre in oujan/Wuhan while renovation related to Piaget flagship store on London New Bond Street. Direct to client sales increased from less than 40% of Group sales two years ago to close to 50% at the end of September.

With a view to further enhance visibility, higher investments were dedicated to media and events such as Watches and Wonders in Shanghai or the IWC Big Pilot roadshow. The Time Vallée multi-brand concept, managed by our retail partners, was further rolled out with seven openings.

The boutiques provide a highly qualitative environment to showcase our creations with many interactive digital features.

Now let us move to Online Distributors. Sales increased by 37% versus the prior year period and by 8% versus two years ago. All regions achieved double-digit sales growth. The Americas, which is the second contributor to sales, posted the highest growth rate. Gross merchandise value, GMV, was up by 28% during the period. On a two-year basis, we saw an acceleration in sequential growth from the first quarter to the second quarter.

The 141-million-euro operating loss was broadly in line with the prior year period, notwithstanding higher sales and improved gross margin. Results partly reflected the temporary absorption of Brexit costs for an amount approximating 40 million euros as well as increased investment in communications. Operating margin improved by almost 400 basis points. The EBITDA loss of 49 million euros was stable compared to the prior year period.

The first half saw the successful completion of the replatforming journey that started at THE OUTNET, followed by MR PORTER and now ended with NET-A-PORTER. The NET-A-PORTER and MR PORTER distribution centre in Landriano, Italy is now fully operational and acting as a central hub, serving millions of customers around the world.

The move to a hybrid business model announced in May is progressing well with some key brands starting to operate on e-concession models. Preparation for the YOOX marketplace has started. NET-A-PORTER Tmall Luxury Pavilion flagship store is now retailing over 400 brands, enabling them to provide a curated assortment, exclusive and limited editions.

NET-A-PORTER just launched a resale service with Reflaunt, a leading resale technology provider. MR PORTER and THE OUTNET will follow in early calendar 2022. This marks the next step in their long term mission to unlock circularity.

The ongoing internationalisation of Watchfinder continued, with the establishment of a team and localised business in Italy and new partnerships with department stores. In parallel, Watchfinder further partnered with our Maisons and businesses. It further rolled out the watch trade-in programme within our watch Maisons, Montblanc and Cartier stores. The programme is now operational within 89 stores. Watchfinder also launched a partnership to offer pre-owned designer watches to NET-A-PORTER and MR PORTER's clients in the USA.

Finally, let us move to the Other businesses, which include the Fashion and Accessories Maisons, the Group's watch component manufacturing and real estate activities. Sales increased by 72% year-on-year or 63% excluding Delvaux. Growth was broad-based across Maisons, including at Montblanc despite substantially lower footfall in airports. Europe, the Americas and Middle East and Africa recorded the strongest sales growth. Compared to the six-month period ended September 2019, sales are slightly lower, but second quarter sales exceeded pre-Covid levels with double-digit growth.

Operating profit amounted to 29 million euros, and generated a 3% operating margin. This performance reflected higher sales, improved gross margins at most Maisons as well as strict cost control.

The first collections of the new creative directors, Gabriela Hearst at Chloé and Pieter Mulier at Alaïa, have been very positively received and generated strong editorial coverage and buying interest. Peter Millar has continued to generate a strong performance, including a significant increase in their online sales and strong demand for G/Fore.

In June, the Group acquired Delvaux, the oldest luxury leather goods Maison in the world. As the inventor of the modern luxury handbag, Delvaux has an exceptional savoir faire and creativity. A new management team is overseeing its development.

After the tragic passing of Alber Elbaz, the last night of the Paris Fashion Week closed with a very special show entitled “Love brings Love”. This collaborative runwayshow gathered 45 houses and designers to pay tribute to Alber's creative vision and unconditional love for the fashion family. The Fashion and Accessories Maisons continued to focus on developing their digital capabilities to support their growing geographical reach. As an example, Montblanc redesigned its website for improved user experience.

In terms of sustainability, Chloé became the first luxury Maison to achieve the very demanding B-Corp certification, reinforcing its commitment to meeting the highest social and environmental performance standards.

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

FINANCIALS: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Thank you Sophie. Let me walk you through the rest of the P&L, starting with gross profit.

Gross profit was up 78% from last year and 22% above pre-Covid level. The gross margin increased 550 basis points to 63.3%, which is 100 basis points above the same period two years ago.

The increase is primarily due to improved manufacturing capacity utilisation resulting from a strong pick-up in demand, a favourable geographical sales mix and a further shift towards retail sales.

Let us now look at net operating expenses which increased by 36%, below the 63% increase in sales. Selling and distribution expenses increased by 31% at actual exchange rates versus the prior year period and by 8% versus two years ago. The increase from last year was partly due to the termination of the one-off rental concessions and government employment support, as well as an increase in variable lease costs and personnel costs reflecting the resumed activity. Expenses represented 21% of sales versus 26% in H1-21 and 23% in H1-20.

Communication expenses rose by 104% year-on-year at actual exchange rates and by 3% above the same period two years ago. The triple-digit year-on-year increase was driven by the resumption of communication activity and client events owing to the improving trading environment.

As a percentage of sales, communication expenses amounted to 8% of Group sales compared to 9% in the pre-Covid six-month period ended September 2019.

Fulfilment expenses rose by 39% year-on-year at actual exchange rates and by 33% compared with H1-20. Fulfilment expenses represented 2% of sales in the current period, in line with the same period two years ago.

Administration expenses were 16% higher than the prior year period at actual exchange rates and 3% higher than in the six-month period ended September 2019. The Group's businesses maintained tight cost control that more than offset a relatively stronger Swiss franc and continued technology and digital investments. Administration expenses amounted to 9% of sales, to be compared with 13% of sales in the prior year period and 10% the year before.

Other operating expenses increased by 10% year-on-year and by 5% versus the first half two years ago. Other expenses reflected the impact of valuation adjustments, which mainly consist of the amortisation of intangible assets recognised on acquisition, for a total of 89 million euros for the period under review.

Net operating expenses as a percentage of Group sales amounted to 41.4%, compared to 49.5% a year ago.

This leads us to operating profit, which, at 1.9 billion euros, more than tripled year-on-year, and is up 67% compared to the six-month period ended September 2020. Operating margin increased 620 basis points compared to two years ago to reach 21.9% of sales.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs increased by 268 million euros to 385 million euros, reflecting mainly a 189 million euro, non-cash, fair value loss on the investments into Farfetch convertible note as well as the option over additional shares in Farfetch China. These fair value adjustments are driven by the variation of the underlying Farfetch share price. An additional driver was a 21 million euro loss on hedging activities this year compared to a 70 million euro gain in the prior year period. These negative movements were partly offset by a 48 million euro improvement in the net foreign exchange loss on monetary items.

Profit for the period rose more than six-fold to 1.2 billion euros. Compared to two years ago, this represents a 44% increase. The increase was driven by the higher operating profit owing to the global recovery in luxury demand and partly offset by the higher net finance costs just mentioned. Our effective tax rate for the first half of the financial year was 21%.

Cash flow generated from operating activities increased 92% to 1.8 billion euros as a result of the higher operating profit already discussed. The increase in operating profit was more than enough to absorb the well-controlled increase in working capital needed to support stellar growth in sales as manufacturing facilities increased production to meet demand.

Let us now turn to our gross capital expenditure. Investments increased 45% from the prior year period, to 272 million euros. Compared to two years ago, capital expenditure was 3% lower. As a percentage of sales, capital expenditure was 3.1%, compared to 3.4% in the prior year period and 3.8% two years ago. 48% of gross expenditure related to points of sale investments, mostly renovations and relocations of internal stores. It also included new store openings in Shenzen and Las Vegas for Van Cleef & Arpels and relocations and renovations at Cartier such as rue de la Paix in Paris and rue du Rhône in Geneva or the 5th Avenue store in New York. Manufacturing spend increased to 13% of sales, and was mostly related to Cartier. Other investments made up 39% and were mainly IT related at the Online Distributors.

Let us now turn to free cash flow. Free cash inflow more than doubled to 1 billion 70 million euros. This was driven by higher cash flow from operating activities, which more than compensated for increased capital expenditure and investment into the new China joint venture with Alibaba and Farfetch.

Our balance sheet remains strong. Shareholder's equity accounts for 50% of the total, broadly in line with the end of the prior financial year. Net cash increased by more than one billion euros to 3 billion one hundred and fifty-three million euros. This includes the dividend payment of just over one billion euros, or 2 Swiss franc per A share, that was approved by shareholders at the AGM in September. The decision to put to vote a dividend back to its September 2019 level reflected the improving economic environment, solid cash flow generation and attractive long-term prospects for the luxury goods industry.

CONCLUSION: Burkhart Grund, Chief Finance Officer

Burkhart Grund: Before we open the call for Q&As, let me conclude with some key takeaways. During the first half, we have further progressed on our digital journey. E-commerce sites were opened for the Specialist Watchmakers that did not previously have full e-commerce solutions in certain locations in North America, Europe and Japan. We have further improved our distant sales capabilities by adding new language support and extending hours as well as integrating new tools to enhance the customer experience.

We have been developing the omnichannel journey further. One example is 'click from store', that allows customers to place orders in boutiques with a sales associate if a requested product is not available in-store. Another example is 'ship from store', which enables access to stock in boutiques to fulfil online orders, improving delivery lead times. These new features are live for an increasing number of Maisons and geographies. Some Maisons and regions have also integrated boutique appointment scheduling into their websites.

Our Maisons and businesses are increasingly partnering together. Examples include the collaboration of NET-A-PORTER and MR PORTER with Watchfinder in the USA, to offer clients the opportunity to benefit from the pre-owned market. Also, a trade-in programme has expanded to 89 boutiques among our Specialist Watchmakers, Montblanc and Cartier. Maisons like Jaeger-LeCoultre and Chloé have notably partnered with NET-A-PORTER and MR PORTER, offering limited editions and capsule collections.

Part of our digital journey has included the partnering with Alibaba and Farfetch to form the Farfetch China joint-venture announced a year ago. As part of that commitment, Richemont has invested 250 million US dollars alongside Alibaba with the joint venture becoming operational last August.

On the sustainability front, we are set to deliver against the targets articulated in our Movement for Better Luxury. We had our Science Based Targets validated by the SBTi earlier in the summer. They provide us with a clearly defined pathway to reduce carbon emissions and help prevent the worst impacts of climate change, while future-proofing our business for greener growth. We have also committed to eliminate PVC, which is an extremely hard plastic to recycle, from all products and packaging by the end of calendar 2022.

Partnerships continue to be an important part of achieving our sustainability goals and driving change. Over the last six months, our Maisons have worked with organisations across our industry on initiatives such as:

- The 'Gemstones and Jewellery Community Platform', which provides members of the gemstone and jewellery industry the tools and resources they need for responsible sourcing and responsible production.

- The 'Watch and Jewellery Initiative 2030'- launched by Cartier in partnership with Kering and the Responsible Jewellery Council. This initiative is open to all and meant to start a collective journey to ensure the industry creates positive outcomes for the planet and its people

- The 'Aura Blockchain consortium', launched in partnership with the Prada Group and LVMH. Dedicated to the luxury industry, it aims to improve traceability, responsible sourcing and sustainability. Together with our clients, we will be able to follow the entire product lifecycle, from conception to distribution, with trusted data in a secure digital format throughout.

- NET-A-PORTER, MR PORTER and THE OUTNET announced a new luxury resale service, powered by Reflaunt. This service, which recently started at NET-A-PORTER, enables clients to contribute to a more circular fashion system by reselling and extending the lives of pre-owned designer items. The service will be launched at MR PORTER and THE OUTNET in early 2022.

In May, we mentioned Panerai's *Submersible eLAB-ID* watch and Chloé's use of recycled cashmere. Now I would like to highlight a couple of other sustainable product initiatives: Cartier launched its first ever solar powered watch, the *Tank Must*, with straps made from scraps of apples grown for the food industry. Chloé introduced the new Chloé Lou line at their Spring-Summer 22 runway show. The soles are made in collaboration with Ocean Sole, a social enterprise that upcycles flip-flops, which have been found washed-up along the beaches and waterways in Kenya.

We are extremely proud that Chloé obtained recognition for their commitment to sustainability by becoming the first luxury Maison to achieve the very demanding B Corp Certification, meeting the highest social and environmental performance standards.

In conclusion, I can say that we are confident in the unique appeal of our Maisons and timelessness of their creations, for the heritage, craftsmanship, aesthetics, creativity and joy they bring to clients. This appeal is demonstrated by the strong sales experienced by our Maisons and businesses. We have emerged stronger from the pandemic, with a 24% sales increase versus the same period two years ago. We have further benefited from the structural growth in online luxury, thanks to our past and ongoing investments in digital. However, we are not going to rest. We are working on improving the customer experience through continued enhancements to the online offer. These improvements include upgraded apps, new e-commerce offerings and the deployment of a hybrid model at our Online Distributors.

We have maintained financial discipline, notably in terms of capital allocation. The pandemic is not over yet. Therefore, we have and will continue to maintain good cost control. This, combined with higher sales, enabled us to generate a strong operating profit of almost two billion euros and significantly increased operating margin of 21.9% as well as a cash flow from operating activities that nearly doubled to 1.8 billion euros. Our profit for the period increased more than six-fold, to 1.2 billion euros. Our balance sheet is strong with a net cash position of €3.1bn euros.

We are making progress on our Movement for Better Luxury through the many initiatives I just talked about, notably the validation of our Science Based Targets. We are taking steps to ensure all these ambitious sustainability objectives will be met.

For the second half of the year, I would like to remind you that we will be facing demanding comparatives in a world still faced with volatility. However, opportunities abound, our Maisons are strong and the enduring nature of their creations aligned with clients' values and expectations.

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

QUESTIONS AND ANSWERS

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

Operator: The first question comes from the line of Antoine Belge, with Exane BNP Paribas. Please go ahead.

Sophie Cagnard: Good morning, Antoine.

Antoine Belge: Yes, good morning. It's Antoine at Exane BNP Paribas, so two questions. First of all, with regards to the very strong margin that you achieve, especially in Jewellery Maisons and Specialist Watchmakers, how sustainable are these margins? I mean, should we expect much stronger investment in certain areas that could mean that these H1 margins were, I wouldn't say artificial, but a bit boosted by the fact that you couldn't really spend as much as you would have liked? Second question-,

Sophie Cagnard: Sorry, Antoine. We didn't hear what you said.

Antoine Belge: Yes, just on that maybe, you know, in H1, there was still some restriction in terms of events, and maybe you would have liked to spend more but you couldn't, so maybe, in the second half, it means, you know, more cost, that was the thinking behind the first question. The second question is more on this announcement regarding YNAP. If you could elaborate a little bit, you know, what it means in terms of operation, but also does it mean that you will, you know, pretty soon be able to de-consolidate YNAP, at least at the EBIT level, and that you would consolidate a minority stake below the EBIT line. Yes, any, sort of, granularity on that announcement please? Thank you.

Burkhart Grund: Yes, morning, Antoine, just on the first question of sustainability, the answer is, what do I know? I don't mean this flippant but we don't know what the second half of the year will bring from a sales perspective, from a Covid perspective, and secondly, you know, through your models, that we always have a higher spend in the second half of the year, due to the seasonality, with Christmas, Chinese New Year. Watches and Wonders coming up, which is new. It's going to be, again, in a digital format, on a larger format, sorry, physical scale, so it's going to be in a larger setting, as we have the other brands joining us. So, the spend pattern, it's always slightly skewed towards the second half the year. So, obviously, this is a very classical, mechanical effect that we'll have. We, I think, have, that which you've seen in the rebound of the ad spend or advertising and communication spend, more than doubled communication spend in the first half because events have restarted, physical events have restarted, and whilst we've continued to invest across the entire spectrum, including in digital channels. So, we're very happy about the first year, the first-half results but we'll continue to invest into our businesses where we see the need.

To the second question on YNAP, we've said this over quite a long period of time now, we've updated regularly that we are looking at ways, how to build an industry-wide platform. This is going back to 2015, when our Chairman first voiced the idea and, you know, also with you and me, we've spoken about this in the past, and step-by-step, I think we're now approaching a vision, where we have first partnered with Alibaba in China, then with Alibaba and Farfetch in China, and we've also said, a year ago, that we wish to enlarge this partnership and explore ways of how to make it happen. We have also said that we will update our shareholders, investors, analysts when we see significant progress. So, that is why we have put out today's announcement, saying that we've made significant progress, we're confident that we will be able to build this partnership, not only with Farfetch and their superior technology, but also with other potential investors, and we've had strong demand from potential investors, to join this initiative. Here, we're not talking about financial investors, but very interested parties to join this initiative. How will it look in the end-game? We have clearly indicated that we see this as a neutral, industry-wide platform, with no controlling shareholder. I think that should answer the question.

Antoine Belge: Okay, maybe just a follow-up on the cost, that 8% communications-to-sales ratio in H1, is that a fair assumption for the second half for Specialist Watchmakers? I think, in the past, you had mentioned that a mid-teens percentage of sales margin would be achievable, and that 22% is well above.

Sophie Cagnard: That’s the second question Antoine, if we can leave it to others, that would be nice, so maybe just answer on communication ratio, and then I'll move on.

Burkhart Grund: Yes, listen, I mean, when you look at our historic numbers, you know, we, on the communication ratio, have more been in the range, between 9% and 10%. Now, 8% is the ratio for the first half, this is a confirmed number. If I would be able to project out the sales number for the second half, then I could also give you the communication ratio for the second half, but I can't, but let's just say we will continue to invest into our Maisons wherever we see fit and at which level we ever see fit.

Sophie Cagnard: Thank you, Antoine.

Antoine Belge: Thank you very much.

Sophie Cagnard: Thank you, next question, please.

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

Sophie Cagnard: Good morning, Louise.

Louise Singlehurst: Hi, good morning, everyone.

Burkhart Grund: Good morning, Louise.

Louise Singlehurst: Good morning, thank you very much for all the details so far. Good morning. Thank you very much for the information so far, and I'm actually just going to follow up with a question on YNAP. I guess, firstly on that, obviously, Burkhart, you were just explaining, in the prior question, how the thinking probably has evolved, but what are you seeing in terms of how the consumer is shopping? Is it because we need this marketplace structure, going forward, to provide better flexibility, both from your perspective on the costs and from the consumer perspective? How do you view the online platform landscape long term, not necessarily with just YNAP, but is there a dominant player with the multiple partners going forward? Just with regards to Farfetch, presumably you're very happy with the relationship, given the China JV and the extended partnership discussions today, but is there anything you can tell us about China and that JV, which started in August? Then my second question, just to ask the margin question in a slightly different way with the Jewellery Maisons, I think, in the past, we've talked about, you know, low 30s as a structural margin going forward. Is it fair to say that you're exiting the pandemic with a potentially higher structural margin going forward for that division? Thank you.

Burkhart Grund: Louise, could I answer the second question first?

Louise Singlehurst: Go ahead, thanks.

Burkhart Grund: I did not guide on a low 30s, I said, 'Above 30, I'm a happy man,' which would mean, below 30, I'm an unhappy man.

Johann Rupert: Johann here, I also have a view on happy and unhappy. Louise, it depends upon the product mix.

Burkhart Grund: Absolutely.

Louise Singlehurst: Great, thank you.

Johann Rupert: Louise, I'll do that first one, Johann here. In 2015, at the FT conference, I asked, in fact beseeched, other industry players to join us on a neutral platform, stating that I didn't think that even the biggest player could do this alone because it would take too much money, and that we needed an industry effort. In those days, I was looking at, in the west, Amazon, an amazing business, and in the east, Alibaba. At that conference, Jose Neves was at the conference, unfortunately, it later on turned out that he was a bit too shy, because I went outside for a (TC 00:10:00) smoke with about seven, eight people, and although I didn't meet her, his wife came along. He, later on, told us that he said to his wife, 'If these guys do what they're doing, we don't have a business.' Sadly, he didn't come to me, we didn't meet, and as usual, as my son predicted, a prisoner's dilemma ensued, where we all acted in our own worst interest. We continued with a linear model and we made mistakes en route, not the mistakes that you necessarily, and some of the analysts, have alluded to and referred to, but we did make mistakes, but we realised that we had to get to a hybrid model, but the 1P curated model was attractive to the Chinese consumers, so we got approached by Alibaba.

We went and we did a deal with Alibaba, where they have performed marvelously. They've acted as true partners, and we learnt, and continue to learn, an enormous amount on a daily basis. I think you've all seen, Single's Day alone, yesterday they did $84.5 billion. More importantly, they deliver it. Selling it's one thing, delivering it, incredible eco-structure, the whole ecosystem. Then Jose approached them, and through Alibaba, we got to know him a few years ago, two years ago, and ever since, we've been in communication, but, obviously, he wanted to get to know us because he's an entrepreneur that has built a brilliant tech business. We wanted to understand his tech better, and, obviously, before we have online shop, you know, AFS businesses, we wanted to really understand our route to market through the online business. He, on the other hand, was loathe, correctly, to do a deal that would dilute or impair his EBITDA and his cash flow. So, he had to understand our business and our attitude better. So, I think we've now got into a solution, where he would not have impairment or any kind and where he would have growth, and we would get access to that quite remarkable technology. It's been a long business discussion. We said that we'd update you on a regular basis, and, obviously, we are getting to a stage now where we're getting close to a meeting of minds, very close, and as such, it's disclosable, but this follows two years of both sides realising we'd like to do the deal, but finding a way in which to do it that would meet our demands.

So, this not a spin-off, this is not a carve-out, this is the realisation of a dream of some six years ago. Despite all the comments, I've said to the press this morning that I'm reminded of an old friend of mine that captained the SA rugby team, when he said to me, after the match, 'It's quite remarkable. We have 30 idiots on the field playing in front of 60 000 experts.' So, to give you just a bit of comfort, industry players would not be approaching us to invest into this new neutral platform, new cash if the business is like described on a regular basis because the new players would have to come in with cash to join, and these people, obviously, would like a neutral platform. I would not put our business into somebody controlled by an industry competitor, so it has to be neutral. So, I would envisage this as a neutral platform powered by the remarkable, truly remarkable, technology of Farfetch. When Alibaba told me in the beginning, when they introduced us, that they could not replicate that technology, that was a year and a half, two years ago. We had our teams, our techy teams, meeting with theirs, and this confirmed to us that they are the ideal partner. I don't know whether that answers, Louise, the rationale and what it would look it.

Louise Singlehurst: Thank you very much for your insight there, Mr Rupert, much appreciated.

Johann Rupert: Thanks, Louise.

Sophie Cagnard: Thank you, Louise. Next question, please.

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

Sophie Cagnard: Hello, Zuzanna.

Zuzanna Pusz: Hi, good morning, everyone, thank you so much for taking my question, good morning. So, I have just two, I will stick to the rules. The first one, I know you don't really like to comment on trends month-by-month and I know we always really annoy with that but there seems to have been quite a lot of volatility in the last quarter, and Jewellery Maisons accelerated a lot on a two-year stack in Q1. Now, in Q2, it decelerated a little bit. So, is there any chance you could maybe give us a little bit more colour around the cadence within the quarter? So, I guess, you know, I presume, just that we've heard in the industry, there was probably a bit of a dip in August, but I would be just curious to know if, given the volatility you mentioned yourself in the press release, if things, towards the end of the quarter, actually went back to the trends you were seeing at the beginning of the quarter, or whether there's still a level of volatility. So, that's my first question, and my second question is on Online Distributors. So, there was a very nice acceleration in growth sequentially, despite the fact that in the prior quarters, I would say growth was rather consistent around high single digit. I realise you did estimate the re-platforming, and I did benefit from it myself as a consumer. I have to say, it definitely has improved the customer service and everything, but that was, I think, towards the end of the quarter. So, is there anything specific you could call out that has driven the improvement of growth in Online Distributors? You know, maybe the pricing environment improves, or any colour you could give on that would be very helpful. Thank you.

Burkhart Grund: Yes, Zuzanna, just I'm struggling a bit with your first question. I mean, you say there's a bit of a deceleration, the Jewellery Maisons on the two-year stack. I mean, yes, sure, 43% down to 39%, I don't really have the capability to read anything into that, to be honest. Let me give you a general comment. The pandemic, on and off, is still with us. Other volatility factors are affecting our business, notably, you know, the discussion about inflation creeping up and probably staying there for longer than we all think. I think the discussion and the scare that the investment community had about China growth rates, you know, slowing sharply, which, with the share price reactions, we saw it both directions, first down and then back up. Volatility is part of our business in this environment, and I would say we've come out higher than our expectations were for this quarter, for this half-year. I think what you have to also look at is that there is balance in our businesses and balance in our regional spread. We're very strong in Asia. We have a very strong business development in the Americas, notably in the United States, that has been far out-pacing, I think, everybody's expectations across the (TC 00:20:00) industry. I think Europe has had, you know, very strong sales growth as well, 63%, almost back to levels we've seen pre-pandemic, and the Middle East has remained strong. Japan today, as we know, is a bit behind the curve of dealing with the pandemic, with renewed lockdowns throughout the period, and that has been difficult.

So, month-on-month, I won't comment, we've had a bit of volatility between the different months, that is clear, but we've had a very healthy mix of regions, and, you know, if you compare it to the situation a year ago, we are, today, flying on more cylinders or driving on more cylinders than we've been doing a year ago. I think that is what we look at, a very healthy mix between regions, that actually protects us against shorter volatility in one given region. So far, we are on the same trends, following the first half results and numbers. Jérôme, do you want to comment on the Online Distributors probably?

Johann Rupert: It's Johann here. Maybe we can say that we can see the direct results of swings between offline and online in terms of lockdowns. When a city in China goes into lockdown, they obviously cannot get to the distribution. Luckily, we have online. So, that's one of the reasons why it's so incredibly valuable to have a strong online business, a luxury new retail omnichannel presence. Looking at the world and looking at the vaccination rates, we do not think that it's going to be an easy exit from the pandemic. The Chinese model, they'll lock a city down if they have three or four infections. Who knows how long it's going to take to get even the fully-vaccinated countries' boosters etc.? So, yes, we will have volatility, and especially between online and offline, but luckily we are now positioned where the customers have the choice. I don't know whether that helps you in terms of the question.

Zuzanna Pusz: Yes, that's very helpful, thank you. I guess maybe just to rephrase it a bit, what I was trying understand, because, obviously, we have to think of, you know, when we model trends, what we can expect, and I guess none us have, really, a crystal ball.

Johann Rupert: Sorry, neither do we. If you can tell me whether the inflation is going to exceed the Federal Reserve's expectation, then I would sell everything I've got, if had to be certain, and I'd go into the bond market. I really think the MMT theories, the excess liquidity, I think not only Covid, but we will experience a lot of volatility in the coming years.

Burkhart Grund: Yes, but, Johann, you shouldn't say that you would sell everything, because then the question comes again, if you would sell to a competitor.

Johann Rupert: No, I'm not selling. I would say if anybody could give me certainty on interest rates, you would have to be absolutely out of your mind to be in the equity markets.

Burkhart Grund: I agree.

Zuzanna Pusz: That question you said just absolutely was not on my mind.

Johann Rupert: We are not sellers or mergers.

Zuzanna Pusz: Okay, I guess I don't have a crystal ball but I guess you may have something closer to a crystal ball, being in the business but I just wanted to understand the--

Burkhart Grund: Zuzanna, we don't have the crystal ball. We can only look at the business on a day-to-day, on a month-by-month basis, and usually, what you do with volatility is you try to manage it with a steady hand, and that's what we're doing.

Johann Rupert: Sorry, if I could just finally say, that's why Burkhart and I went into the market and got long-term capital at 1.3%. 1.3%, now average, I think, maturity's just under 12, 11.

Burkhart Grund: 11, yes.

Johann Rupert: Okay, so we're trying to be in a position to be hedged either way.

Zuzanna Pusz: Okay, perfect, I won't be following up because I don't want to be in trouble with Sophie and James, so thank you so much.

Sophie Cagnard: Yes, thank you, so next question, please.

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

Edouard Aubin: Yes, good morning, everyone. So, just two questions for me. The first one on Jewellery Maisons, Burkhart, you mention the incredible strong growth in the US in the half. So, I don't think Cyrille has spoken yet, so I'd just be curious to have his view on how sustainable US demand is, you know, what's cyclical, what's structural, and if the profile of your customers has changed in the US over the past few quarters. So, that's question number one, and then question number two is on the watches as a category, sorry. So, over the past few years, you know, investors have been sometimes negative on the category's prospects due to a number of reasons, and one of them was the fact that, you know, watches tend to under-index with women. However, today, given how much, you know, male millennials and Gen Z have made with alternative classes and, for example, crypto currencies, I was looking at the numbers recently, I mean, you're talking $ 2 trillion over the past 12 months. Being more exposed to male might actually be a positive, and I just wanted to have your opinion on that, if you are seeing a change in terms of the profile of your customers for watches, you know, around the world. Thank you.

Burkhart Grund: Thank you. Cyrille, do you want to take the first question?

Cyrille Vigneron: Yes. So, we're seeing a very robust growth in the US for about a year and a half now, which already had started, longer than that. So, the US remains the largest economy and has been the support of the economy recently, and so we see affluent customers are growing basically everywhere, so think that this would continue. As Burkhart said, there can be some volatility everywhere but for that, we're seeing that the US remains a very good growth market for us. So, it will stay where it is and we continue. Seeing the competitors' also overall sales in the big groups, there is a very substantiated affluent market there.

Johann Rupert: I think, if that can just be confirmed by Nicolas, we have a little competition between the two at the moment, and Nicolas is more productive per employee, so maybe we should ask him.

Sophie Cagnard: Yes, but a fine margin.

Johann Rupert: It's fine margin but we look at metrics.

Nicolas Bos: No, thank you. I think we are seeing exactly the same trends. I mean, the potential in the US has always been very, very high. We see a lot of wealth that is consolidating. If we think, for instance, of a person in California, the trends in the last two years and the perspective for the coming years seems very, very promising. When we talk a lot, you know, about the opportunity in the non-branded market for jewellery brands, America is probably the prime opportunity. They are still very, very strong and there was a very, very strong, let's say, volume of sales, driven to traditional, non-branded jewellers, and we see a shift in the consumers going towards international brands, and the opportunity for Cartier, for Van Cleef & Arpels, for major brands in America in the future remains very, very high.

Sophie Cagnard: Thank you, Nicolas, Jérôme?

Jérôme Lambert: Yes, thank you for the question for the watches area. Indeed, I'd say you notice an acceleration in the trend for the watch category within Richemont. It's also visible into the Swiss watchmaking exporter statistic, which is also showing a robust rebound. I would tend to say there are (TC 00:30:00) three factors in this one. One that is very true is that the male clientele is more and more active, and we spoke from the euro (ph 30.10), we spoke just from the US for jewellery, it's also the case for watches. There are two other factors that we could add to that. It is that our clients in the watch category and younger and younger, and we had the fear or (mw 30.25) quasi a good decade ago that that new generation would not enter into the watches or would prefer smart watches, but in fact it has been an add-on, an additional wear, and we see now, having these multiple buyers of multiple watches is spreading around. For sure, the resale value, and you know that we have a second-hand Maison with Watchfinder or Preloved Maison with Watchfinder that is active in that domain has helped a lot. The third element is that let's do not forget the female clientele for the watches, in particular in Asia, which is adoring the category and has been, as well, entering into the mood of multiple buyer and multiple watches. So, to that factor, you are right, is strong, you can add this too. Thank you.

Johann Rupert: It's Johann here. If I could just maybe give a bit of background. 2016, you've heard the story, online, a year later, we had a global watch glut because everybody we all experienced 30%-plus growth and we sold in. The selling turned out to be too big. We took drastic action, which you folks, again, had very many opinions on, but there were, I would say, two and a half very big competitors, who are not listed, who had the luxury of doing it outside the gaze of critics, and they also cleaned up the market and cut their volumes. Obviously, this cut into our operating profits, online plus that drastic action, and then Covid struck. So, despite all of that, we managed to deliver proper results. Now the market is clean. The watch market is cleaner, and I've been around 35 years, watching from Cartier and then on and on and on, and I can state categorically that the market is cleaner today than during any other preceding period. This is illustrated by waiting lists in a number of the Maisons, and upon discounts no longer being needed. So, the watch category got cleaned up and is very healthy at the moment.

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

Operator: The next question comes from the line of Jon Cox, with Kepler Cheuvreux. Please go ahead.

Jon Cox: Yes, good morning, guys, and congratulations on the great print there this morning. A couple of questions for you if I can, one is just on, you know, the situation in China currently, as you correctly point out, maybe some of us over-reacted on the common prosperity. I'm just wondering if you're seeing any impact there. You mention, as well, that comparables are going to get difficult in the second half of the year, just wondering what we should think about that, but again, particularly in China. Mr Rupert, you're on the call, obviously there's a lot of stuff about the whole Third Point, Artisan maybe talking to you guys about this, that and the other. I wonder if you want to be on the record at all and comment on that. Thanks very much.

Johann Rupert: Well, that's a couple of loaded questions, Jon. China, what President Xi did had been signaled for a while, and he's enormously popular in China. He did not say, 'Stop consumption.' What they're against is a vulgar display of the disparity of wealth. If you look at the economics of China, it's been an investment-driven economy. Now, they are not backing off the drive to have consumption grow and they have not signalled anything against our products, for instance, but they wanted to calm down the vulgar, with which we, I've also had a problem for years with the disparity and the Gini coefficient. Obviously, also did that with the dopamine effect of the children being addicted to being online all the time. Both of these are very, very popular decisions, and you have to remember that a year from now is the Congress. So, a lot of it is internal. It is very popular. It is not meant at us. I think we can't comment on Mr Loeb. I think he clearly took us more seriously than you guys did, when we said that we were going to find a solution for online, and he clearly is a very sophisticated investor and he did what anybody else could do, which is buy shares. If he did and how many, you know, we can't comment on the share register, we've never done so, but obviously, looking at today's prices, whatever he bought, we could not see it in the September results because it was not on his list, but good luck to him, he made money. What was the second question?

Burkhart Grund: That was the second question.

Johann Rupert: Oh, sorry Jon.

Jon Cox: Great, thanks very much, guys, and well done, again.

Burkhart Grund: Thank you.

Sophie Cagnard: Thank you. Next question please.

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

Thomas Chauvet: Good morning, thank you. Two questions, please, both on watches actually (inaudible 37.49), the first one on the Spec Watchmaker, the profitability is now 22%, it's only half-year, but it's already ahead of your own 20% target, probably ahead of your schedule. Mr Rupert alluded to some of the reasons for that success. I mean, you've restricted distribution. You've rolled out e-commerce, taken costs out. What are the next steps for returning to a sustainable growth path in that volatile business and perhaps a previous level of profitability? The peak was around 26%, 27%, obviously a different era, pre gifting crackdown. Secondly, a question perhaps for Cyrille on Cartier watches within Jewellery Maisons. I'm hearing a lot of positive feedback from some European and US watch retailers on Cartier's new products, on the sell-out. Was the growth of Cartier watches, on the two-year stack in the first half, ahead of the growth of the Spec Watchmaker, and can this business, within Jewellery Maisons, contribute to further margin expansion actually in the future? I guess that business is probably not back to previous peak, unlike the jewellery division.

Johann Rupert: If I could just say, our goal in the watch division has been to get more partnerships and fewer partners. Now, what we have managed to do, our partners are very, very happy because they now have more profitable partnerships with us. So much so that we see that more and more of them are willing to invest their own capital in stores and boutiques. So, it's a healthy business, where (TC 00:40:00) our partners, because we really look at them as partners, are doing better as well. That's a medium-term trend. It's certainly a trend that we welcome, and in terms of Cartier versus the rest, etc., we don't really want to go into that because we're looking at our business as a watch industry, and please don't use the abbreviation 'Spec', say Specialist, because, to me, Spec is a spec home, so Specialist, on behalf of my colleagues.

Burkhart Grund: I agree, and, Thomas, if I might just add to that, you know, we've had these discussions for a number of years now and I think we've been very consistent in saying, 'We have to do what is right for the watch business and we have to do what we believe is the best way, the best set of actions to clean up the market.' We've had these discussions about buy-backs. We have the discussion the short-term impact, all these discussions creeping in about market share, you know, and the answer was very consistent, I think, and now that we see, after incredibly hard work by the teams in the watch Maisons and at Cartier as well and all our Maisons that sell watches are present in the same watch market, after incredibly hard work and very consistent over time, we see very strong results coming out of it, which, in a way, it's not just trying to write the inventory equation in the market, but what you must also see behind it is that the incredible attractiveness of our products very significantly benefits that because customers see value, see their values reflected in the products they acquire across our watch Maisons. So, you know, it is incredibly hard work, with a very consistent strategy, that is now playing out. Now, we will not, because we have achieved good half-year results, now become delusional about the watch market and that it's going to change structurally, with growth exploding etc. but we do believe that we have built up strong positions in the Maisons and will continue to work on that on that basis, and will not now go overboard.

Jérôme Lambert: Jérôme speaking, I would just add to what I said. There is very strong work done around the icon of each Maison and during the last five years, where it has been a constant work, of creativity, of innovation within the Maisons to develop a *Pilot* line at IWC, or a *Reverso* at Jaeger, and what we see today is in, somehow, the result of this action. So, we have a Chairman that often says that it's not about numbers, it's about the actions that can bring to the numbers, and I want to believe that what we see now surfacing more and more is the result of this hard work. I'm sure you all notice how our Maisons has longer, have seen, let me say, its price and reselling value of some of these products rising to incredible level.

Burkhart Grund: As an example.

Jérôme Lambert: As an example, thank you.

Thomas Chauvet: Thank you.

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

Operator: The next question comes from the line of Anne-Laure Bismuth, with HSBC. Please go ahead.

Sophie Cagnard: Good morning, Anne-Laure.

Anne-Laure Bismuth: Yes, good morning. So, I have two questions. The first one, if I'm not wrong, you said, during the presentation, that you refurbished 58 Cartier stores. I'm just wondering, what is the plan in terms of refurbishment? How far do you plan to go with that? What is the pace? The second question is about the CAPEX, so CAPEX to sales, where it's more than 3% in each one. So, should it remain around this level for the full year? So, what is your guidance in terms of CAPEX for the full year? Thank you very much.

Burkhart Grund: Cyrille, on Cartier, do you want to start with that?

Cyrille Vigneron: Yes, I will comment on the first. So, we had made clear, for the past year, that we had to anyway renovate the entire network, and so we had 270, so we are coming about more than a third now, and so the plan, in the coming two or three years, to finish all these. So, it's going at fast speed and doing well, so it's just as planned. We had to go a bit slower during the pandemic, first, because there were some Covid restrictions, and then also with all the cash-sensitive, but then, now, we are resuming the normal speed.

Burkhart Grund: Okay, thank you, thanks, Cyrille. Just on CAPEX in general, I mean, if you look across the last, I don't know, 10 years, we've been somewhere between 5% and 8% at the height of it. We're comfortable with 5% but it really depends on which stage you are. Let us also understand that, over time, the nature of CAPEX spent will shift, as we build luxury new retail footprint, will shift probably more into technology and out of physical CAPEX.

Johann Rupert: This is Johann. To pre-empt a few other questions, I'm quite surprised that analysts, in general, doesn't depend on any industry, I'm not being industry-specific, are not questioning and asking questions about what it's going to cost business in general, not only industry, but finance, everywhere, the cost of doing the right thing in terms of emissions. Now, we are committed, I've been involved for 35 years, I never knew what we were doing but I guess it's now called rewilding. We are rewilding a piece of land in Africa that's bigger than the size of France. So, we've been involved in studying carbon emissions, all of our footprints, I'm pretty au fait with this because I managed to get our family carbon-negative by building my own hydro-electric plant and by planting carbon sinks, a magnificent South African plant called the Spekboom, one hectare currently sequestrates eight tons per year. We should, as humanity, not only analysts, really realise how important this is. This is a far wider, broader, deeper aspect. Luckily, Covid made us more introspective and people sat back and really thought what we should be doing. Now, we cannot quantify that as society but we should, as the luxury goods industry, be very, very careful what we're doing. We are incredibly fortunate.

Sometimes we act like heroes and we all think this and that. We are not that special, and quite frankly, we're not necessary. If you're talking about energy, electricity, food production, where do we come on the food chain? Stone last, we're nice-to-haves, so we have to be especially careful about our carbon footprint, what products we use in our manufacturing process, and quite frankly, society and investors will not tolerate any slackness from us, as luxury goods producers. So, we have committed to science space, we've done studies and we're continuously doing that, and I suspect I've got a pretty clear understanding, and just to make you happy, it will not be as expensive as online, for those of you who continually worry, but we will do the right thing. We, for instance, announced PVC, because it's non-recyclable. Now, I don't think the luxury goods industry can be compared to making pipes that are used in Africa, where it's the only alternative in very many places for light pipes to transport water. Why are we putting a non-recyclable plastic? Why are we doing that? We should be asking ourselves many, many questions. We are going to have traceability.

One of the most interesting things is, at Vacheron, they had a module in the educational months they had, and the most watched, wanted, related to traceability and to blockchain. I initially thought all of my colleagues were getting into cryptocurrency and that bothered the academy, but then I found out, no, they are so serious that they wanted to understand it, and where, our previous CEO, Norbert Platt, I had a heck of a job pushing through SAP. I mean, this was pushing water uphill. ESG and doing the right thing is water flowing downhill. Every colleague of ours, male, female, young, old, everybody's on-boarded. Do we think this is going to make us sell more products? I don't think so. Doing the right thing, having empathy with the environment, with your grandchildren, we're not doing that to sell more, we're doing it, in a sense, I suppose, and here, I'm stealing Cyrille's line, where he said to me, 'I don't think we necessarily look at flying the safest airline in the world, it happens to be Qantas.' I shouldn't say it but I would still try Singapore, but will any of us fly on the un-safest airline the world? I doubt that. So, now I think that we're going to have watch ESG, certainly I hope the investors keep all of us under close scrutiny because the planet demands it and our grandchildren demand it. I don't see anybody trying to quantify the costs in their discounted cash-flows, not with financial institutions, not with industry, nowhere.

I would urge you to start finding people that can do proper ESG studies, not like some of the tripe that I've read recently, but real studies, finding out where the factories are. Are the factories, in fact, semi-assembled and then transported? What is the true footprint? What is the real carbon footprint of what we're doing? I would urge you to start putting that, and your colleagues that cover other industries because I do believe it's a given. I do believe we have to do it, and I don't see anybody. Please don't ask me about CAPEX of a store. We are on a continuous refurbishment, we've been doing that for 30 years. We work in cycles. It's very disciplined. We look at the return on invested capital per boutique. It's a very disciplined approach but I urge you, there are things that are not quantifiable at the moment, where, as humanity, we're going to have to make investments. As Burkhart said, as our sales mix changes and more and more goes online, I think there'll be another variable, which is IT costs, which hopefully will replace fixed-cost leases, so at least it'll be a variable cost, because the model, more and more in IT, is pay-as-you-go, so it's more flexible and not having long-term contracts. So, I hope you gives you a clarity, a bigger clarity, on our philosophy.

Anne-Laure Bismuth: Thank you very much.

Sophie Cagnard: Thank you, Anne-Laure. We can move on to the next question, thank you.

Operator: The next question comes from the line of Thierry Cota, with Société Générale. Please go ahead.

Thierry Cota: Good morning and thank you for taking my questions. Two questions for me, first, I'd like to hear your analysis on the current dynamics of the jewellery market worldwide. We see the relaunch of Tiffany. We see a more subdued performance of Bulgari. So, I was wondering how you see the positioning of your two large jewellery assets? How do you see it evolving in that context, notably from a product, A&P spend and distribution angle. Notably, I would be interested whether you have any plans to enter the silver market, if you contemplate any more aggressive policy on Cartier net store openings, and lastly, if you think that a structural rise in A&P, for the industry as a whole, is likely. And secondly, on YNAP, I was wondering whether you keep your-,

Sophie Cagnard: Thierry, sorry, you say entering this market?

Johann Rupert: The silver market.

Thierry: Oh, silver. I was speaking too fast.

Burkhart Grund: Silver market, in the beginning, you said relaunch of who?

Thierry Cota: Well, Tiffany was relaunched--

Johann Rupert: Basically, he's asking about the structural.

Thierry Cota: When you do analysis and how you react to it.

Johann Rupert: We do not comment on opposition. Thierry, if there's anything truly important that we're considering, do you really think I'm going to tell the analysts that so that our opposition can see what we're planning to do? Please, I mean, that would be rather silly of me and my colleagues. We're very happy with the growth in the jewellery. We're very, very happy with where the desirability is, that both Cartier and Van Cleef have desirable products, and now Buccellati also. The brand equity is continuously increasing, so we are happy. We try not to comment on our competitors.

Thierry Cota: Maybe just the last point on A&P spend, do you think that we're going to face a structural rise in the industry's intensity in terms of advertising and promotion spending, or not particularly?

Johann Rupert: I think the mix is going to change and we always look at it as trying-, we contain it in looking at a percentage of sales. So, if your sales go up by 30% a year, then yes, you will spend more. With new brand launches there, maybe you'll spend a bit more. We have ratios, very strong ratios. So, if we continue to grow, yes, you should expect the rise.

Thierry Cota: The ratio, as well, would rise, you think, for the industry as a whole, or not particularly?

Johann Rupert: I have no idea what our opponents want to do. The stronger your brand equity and the more desirable you are, the more flexible you can be but if you're trying to build brand equity, you may have to spend a lot more.

Thierry Cota: Okay, and I had a second question on YNAP, I was wondering whether you keep your target of EBITDA break-even for the year, given what you published on H1, and when you mention no controlling shareholders eventually for YNAP, I was wondering whether listing the asset was an option.

Johann Rupert: Well, we have looked at every single option, and the best option at the moment is what we're busy with, which is (TC 01:00:00) to have, like what I asked for in 2016. 2015, sorry, my boss has spoken here, Sophie, okay, 2015, we then believed, and we believe now, that it should be a neutral platform, and we believe-, I would certainly not commit our Maisons into a platform controlled by an opposing company. Therefore, obviously, our opposition, other Maisons, would expect the same. That's why I pleaded in 2015 for a neutral platform powered by the best tech and I think we're getting there because we know the best tech now. It's taken us two years to fully understand how advanced Farfetch truly is and so, we'll have the best tech provider and it'll be a neutral platform. And I hate to tell you, I'm not one of these people who think that we're going to have no hurdle rates rates for the rest of our lives with zero or minus percent interest rates where people who are losing a fortune are rewarded for it. In the end, cash flow is needed. So, the tech values may be affected when the real interest rates return, which may return quicker than we all think. I'm not betting on it but we cannot have negative interest rates ad infinitum (ph 01.01.55). It's wiping out the middle classes. Currently, only the people with capital, those are the people that are benefiting from these low-interest rates and it'll be intolerable to maintain. Already, we're seeing inflation cropping up everywhere.

Thierry Cota: Okay. So, that's not very much in favour of the option of listing a new tech asset then?

Johann Rupert: No. Farfetch is listed. Sorry, Farfetch is listed. It is a tech company. In any case, it's way too soon to decide. You know, the newcomers are putting cash in. We are looking at this as a great route to market and I think what helped the push was Covid because we had industry newcomers approaching us out of the blue when they realised the sensitivity when their stores got shut. So, we had people, big names that you will know, approaching us to join this joint venture.

Sophie Cagnard: We can move maybe to the next question.

Thierry Cota: Okay, thank you. On the EBITDA maybe?

Sophie Cagnard: Yes.

Thierry Cota: Target for the year.

Burkhart Grund: Thierry, we'll discuss that later on when we speak.

Thierry Cota: Okay, thank you.

Sophie Cagnard: Thank you. So, we're moving to what I think will probably be the last question. It's already 11:15. We can move to the next one, the last one.

Operator: The last question comes from the line of Rey Wium with SBG Securities. Please go ahead.

Sophie Cagnard: Hello, Rey.

Rey Wium: Hi, thank you for the questions. I was just very curious about the performance of, if I can call it, the soft luxury brands in the other unit. I mean, I know there's-, I think it's a profit of 24 billion on the real estate but even if you strip that out, it's turning a profit. I think it's the first time since 2007 that this unit has been in a profit. So, I was just curious if you maybe can just talk a little bit about, you know, what led to this turn around and maybe specifically about performances brand wise, whether dunhill has come to the party or was it just Peter Millar and so forth. Thank you very much.

Johann Rupert: (Speaking in Afrikaans 0.04.50-01.04.55).

Rey Wium: (Speaking in Afrikaans 01.04.55-01.04.57).

Johann Rupert: I'm just joking. I'm saying the answer in Afrikaans so then everybody else can't listen. Sorry. Okay. I'll leave that to Jérôme.

Jérôme Lambert: Yes, and I first excuse myself that I will only be capable of answering in broken English for the trend of Fashion & Accessories. So, now for Fashion & Accessories, indeed we have had a stronger top line development from our Maisons month after month. It started very nicely with Peter Millar and I have to say for Peter Millar it's already a good 18 months that the performances are really truly amazing and at a very sizeable size now. It has been followed afterwards by Chloé. It has really been enjoying a great journey with a second collection of now Gabriela Hearst. The first collection has been now on the floor and is enjoying a very strong sales through since the start of September, and it's also true for the other categories. And then it has been Montblanc for all their retail and their e-commerce activities from the month of September up to Alaïa as well that is enjoying a stronger journey. So, again, creativity, innovation, strong products are what move the whole category in a new dynamic. It's the start of a journey. So, we still have to go through the end of travel retail. We still have to see the first development of that but here, we are really enjoying a better journey. Not to underestimate that these Maisons have been enjoying luxury new retail at full speed over the whole Covid time and these Maisons now have penetration of e-commerce largely over 20% for the most developed ones in e-commerce. And these days, we are sometimes shop open or shop closed, it's offers acceleration.

Johann Rupert: Rey, if I could add what I said to the colleagues from the press this morning. We firstly had to do online, then we cleaned up the market, then we had Covid. Having done that successfully, we are now looking at our Fashion & Accessories. So, that's the next one on the list. Now, a lot of things have changed in the last 18 months, two years, during Covid. Firstly, online became a reality and the penetration of online globally, including in the United States, where people are now used to it. Now, our Maisons were being pushed out of retail by our big competitors. The likes of dunhill got kicked out of the peninsula. You know, I won't go into all the areas. Now, two things. As a result, fewer stores had to absorb higher head office costs and the asset turnover obviously dropped. The new dynamic is that the power ratio between landlords and brand owners has seen a dramatic shift, and suddenly people who treated some of my colleagues with disdain have become very friendly. Plus, it's easier to absorb Head Office costs when you've got online as a route to market. Plus, fast fashion will face some real issues from an ESG and from a societal point and as Coco Chanel said, style stays, fashion goes. And I suspect circularity, buying clothes that last for more than one year or one season will become the acceptable (TC 01:10:00) and if you focus on style that stays, that is another dynamic that will create a little bit of tailwind for the majority of our Fashion & Accessories Maisons. So, there has been a power shift and a societal change. Plus, having now done online, having fixed the watch market and having survived Covid, I think we're in a pretty strong position to go ahead. And it's a good question you asked. Also, I thank you for asking the question because I forgot to say what I told the press this morning. I don't know Rey, whether that helps.

Rey Wium: Yes. No, very much so. So, in a sense what you're, sort of alluding is that the advent of online will make it easier for the smaller brands.

Johann Rupert: Globally, not only ours. If you think, Rey, we had to look demographically in the past. Is there a big enough base of clients in X, Y, Z town or city? And only a certain number of people in that town or city had the spending power or the taste or choice. Today, we're already seeing in China, in the third and fourth tier cities, how we discover clients that love brands, that can now access it online. So, we, all of us, have to think more psychographically in having specific targets. I mean, it's a very small thing but the Purdey people started developing clothing and we have an incredible client list of people who psychographically are attracted to those products. So, it proves that if you have the right taste, you have the right product at, you know, obviously the right price, taste, product, then you have a far bigger reach through online because that's a variable cost. You don't have to open a boutique. So, there is a power shift going on but the key thing is the desirability. I hope that helps somewhat.

Rey Wium: Yes. Thank you very much.

Sophie Cagnard: We'll take one very last question.

Burkhart Grund: We'll take one.

Sophie Cagnard: Okay. Please go ahead.

Operator: The last question comes from the line of Patrik Schwendimann with Zürcher Kantonalbank. Please go ahead.

Sophie Cagnard: Hello, Patrik.

Patrik Schwendimann: Hello, Patrik Schwendimann from Kantonalbank. Thank you, Sophie. Good morning, everybody. Congratulations to the whole Richemont crew for these exceptional results. First question, Jewellery Maisons have been already 36% over 2019 in terms of sales. I think nobody would have expected this a year ago. Do you think there was also an extraordinary effect because consumers have saved money on other items like travelling and spent more on jewellery? And one related to it, what is the development between high jewellery, mid-price jewellery and entry price level jewellery? And just a technical one, how much was the gain on the real estate transaction? Thank you.

Burkhart Grund: I'll refer the jewellery questions to Nicolas and Cyrille. Let's start with that. Nicolas, you want to start?

Nicolas Bos: Yes. Thank you, Burkhart. Thank you for your question. I think that for sure we have seen a very, very high level of saving among our clients and probably, some of it is linked to the absence of certain categories of expenses like travelling, holidays, and that has probably benefited the luxury industry, and jewellery specifically. But it's not the only dynamic and it's why we're quite confident that we should some further opportunities in the future. And when it comes to categories, I think what we discussed a year ago is that during the worst moment of the Covid period, high jewellery suffered the most because there was a lack of events, a lack of opportunities to gather international collectors and clients. And also, a lack of opportunities to wear formal, important pieces of jewellery. Whereas, more affordable and daywear pieces performed very, very well. And in the last six months, let's say, we've seen progressive come back also on high jewellery with still not many international events but more and more regional or local events and opportunities to wear it. And we've seen our high jewellery coming back, where it was quite low a year ago. That's pretty much my take for Van Cleef & Arpels. I believe that Cyrille will probably have a few things to add.

Cyrille Vigneron: Yes, on the high jewellery, exactly the same, that things are picking up. The difficulty last year was organising the events when customers could not move. It's a product category where people need to see what they're buying and they want to try it on and so, when there are no events, things can be a bit slower. But as soon as we could reopen, or when we organised, even last year during the close of some areas, some events in China, we could see that when it was possible to organise, the appetite was still there. Then, for the question, I say jewellery is doing well but it doesn't mean every brand is doing well and as Johann says, it's a question of brand equity. I think this crisis, it's a revelator. It's a moment of the truth. So, the really strong with a well-balanced customer base are doing well and others, not necessarily. And so, on that we are happy to see that the result of our brand development, Maison activation, for the past year has proved to work well. So, we're quite happy with the result and it's basically on all categories, all customer bases and even from generations, some young to older ones. And it's in jewellery that we have the youngest customer base overall. And it's not on cheap products. And we love mothers.

And we love all customers from all generations so we target them all and we love them all inside our stores. They love us as well.

Patrik Schwendimann: Thanks a lot, Cyrille and Nicolas.

Johann Rupert: Sorry, there was an implied question that I actually think is a very clever question which is, is there a bounce back with people that saved a lot during Covid? And I think we have to assume that there was definitely a bounce back that's continuing. How long, I don't think anybody can calculate but one thing that is interesting is offline, online, how they move as equalisers as soon as a market that has been open is closed. And that's why Europe is lagging. Europe is still not properly open and there are no travellers as of yet. But where it opens, people actually like going out, like going to restaurants, like seeing people. They do shop. But we wondered what would happen afterwards. Well, we've seen that in China where they've opened. Rapid demand. When they shut in certain cities, it moved to luxury new retail to online. So, it's too early to say six months, a year from now but currently, it seems to be sustainable.

Patrik Schwendimann: Thanks a lot, Johann.

Johann Rupert: Thank you.

Sophie Cagnard: So, I think we'll conclude on those very positive words. Thank you all for attending this half year presentation.