
Richemont

FY21 Interim Results

6 November 2020 / 9:30am CET

Contents

INTRODUCTION: Sophie Cagnard, Group Corporate Communications Director.....	3
HIGHLIGHTS: Burkhart Grund, Chief Finance Officer	3
OPERATIONS: Burkhart Grund, Chief Finance Officer	4
FINANCIALS: Burkhart Grund, Chief Finance Officer	9
CONCLUSION: Burkhart Grund, Chief Finance Officer	11
QUESTIONS AND ANSWERS: Johann Rupert, Chairman; Jérôme Lambert, Chief Executive Officer; Burkhart Grund, Chief Finance Officer; Sophie Cagnard, Group Corporate Communications Director.....	12

Alice: Ladies and gentlemen, welcome to the financial year 2021 Richemont 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. Good morning, everyone. Hope you're all keeping well.

Johann Rupert, Chairman; Jérôme Lambert, Chief Executive Officer; Burkhart Grund, Chief Finance Officer; James Fraser, IR Executive, and I would like to thank you for joining the audio webcast today to review Richemont's results for the six months ended 30 September 2020.

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.

First, Burkhart will take you through the financial highlights of the first half, before reviewing Group sales. I will then present some key developments at the Maisons and Online Distributors. Thereafter, Burkhart will walk you through the financials and offer some concluding remarks. This presentation will be followed by a sort of Q&A session, the same as last May. 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 and thank you for your time.

COVID-19 has significantly impacted the lives of our colleagues, clients and partners and has forced us to close operations for an extended period of time in the early part of the year. The pandemic also caused major disruption, notably to global travel, which significantly impacted our operational and financial performance. As a result, sales for the first half of the current fiscal year decreased by 26% at actual exchange rates and by 25% at constant rates, with all regions, distribution channels and business areas posting lower sales. However, sales in August and September resumed growth at constant exchange rates. This limited the sales decline in the second quarter of our financial year to 2% at constant exchange rates. We will provide more detail as we go through the presentation.

Operating profit decreased to €452 million, resulting in an operating margin of 8.3%, and profit for the period amounted to €159 million, down from €869 million in the prior year period.

The net cash position was €2.1 billion. While this represents a €284 million decline compared to the net cash position at the end of March, it is worth noting that, excluding the dividend payment of €529 million, net cash increased.

Now, turning to some of the first-half highlights. First, our Maisons and businesses have demonstrated resilience in a difficult environment, with a notable performance from our Jewellery Maisons, which generated an operating profit of €922 million and an operating margin above 30%. This achievement is commendable. This business area was the first to rebound upon emerging from the lockdowns, driven by a strong presence in China and a well-developed online offer, and the enduring appeal of their iconic collections.

China also stood out, with significant double digit growth since the month of May, as we will see later.

Further, online retail sales of our Maisons enjoyed triple digit growth and now account for 7% of overall Maison sales or 10% of our direct-to-consumer sales. Despite the marked decline in sales, the group maintained stable cash flow from operating activities vs the prior year period. Finally, trading was stronger in the second quarter.

OPERATIONS: Burkhart Grund, Chief Finance Officer

Let me now walk you through the Group sales performance, first by region, then by distribution channel and finally by product line, with changes versus last year, as always, expressed in constant currencies.

Sales declined in all regions in the first half. As you can see in the waterfall chart, Europe and the Americas recorded the most substantial sales contraction in value terms, while Middle East and Africa and Asia Pacific were relatively resilient. The latter largely benefited from the sharp growth in China. These two regions also enjoyed double digit sales growth in the second quarter, while sales were stable in the Americas and remained in negative territory in Europe and Japan.

Let us look at the geographical review, beginning with Europe, which, along with Japan, posted the highest rate of decline in sales at -44%. Europe was particularly impacted by temporary store and fulfilment centre closures early in the year, the lack of international tourism and muted local demand. Nevertheless, the Online Distributors showed resilience, confirming that online purchasing has accelerated during the pandemic. Online retail sales from our Maisons showed very strong growth. The region remains our second-largest region, but its contribution to Group sales declined to 22% from 30% in the prior year period.

Let us now move to Asia Pacific, where the sales decline was limited to 4% overall, as the region returned to growth from July onwards. You can see in the chart that sales in the second quarter grew by 22%. The region represented the largest share of total Group sales at 47%, up from 37% in the prior year period. As previously mentioned, China showed very strong growth, increasing by 83% year-on-year and overtaking the US as our largest market. There are several reasons for this. First, China was the fastest to emerge from the COVID-19 lockdowns and its economy has recovered faster than those in other regions. Second, our mainland Chinese customers are still not travelling internationally, which is prompting them to repatriate their purchases. In contrast, sales declined in the rest of the region. Retail sales

grew by high single digits, driven by double digit growth in China and domestic Korea. China recorded triple digit growth in online retail sales, partly sustained by the opening of flagship stores on Tmall Luxury Pavilion during the period under review. Overall, there was good sales growth at the Jewellery Maisons.

Let us now look at the Americas region, where sales decreased by 31%. The region accounted for 16% of Group sales compared to 18% in the prior year period. All business areas and channels declined during the period. Among the business areas, the Jewellery Maisons were affected to a lesser extent. Looking at distribution channels, online retail posted a low single digit decline. It is worth noting that online retail sales delivered triple digit growth at the Jewellery Maisons and double digit growth at both the Specialist Watchmakers and Fashion & Accessories Maisons. Momentum improved significantly in the second quarter compared to the first quarter, with positive growth in the month of September. Retail sales were broadly stable overall, supported by growth at the Jewellery Maisons. Online retail sales grew by double digits, driven by triple digit performance at the Jewellery Maisons and double digit growth at the Specialist Watchmakers and Fashion & Accessories Maisons.

Let us now turn to Japan, which represented 7% of Group sales. Sales in the region were 44% lower than in the prior year period. In addition to the aforementioned impacts of the pandemic on international tourism and customer sentiment which prevailed around most of the world, the region also faced challenging comparatives. You may remember that sales increased by 13% in the prior year period, ahead of the implementation of the October 2019 VAT increase. Online retail sales posted growth.

Finally, Middle East and Africa, representing 8% of Group sales in the period. Sales were 5% lower than the prior year period, sustained by a 36% increase in the second quarter of this fiscal year. Increased regional tourist spending, a repatriation of purchases and strong growth at the Jewellery Maisons, partly driven by the internalisation (TC 00:10:00) of its operations in the Kingdom of Saudi Arabia, more than offset a lack of inbound tourists. Sales at the Online Distributors were stable compared to the prior year period, but the Group Maisons' online retail sales grew triple digits, benefiting from the development of their online offer.

Let us now turn to sales by distribution channel. First, the retail channel, which is by far our largest channel, contributing 53% of Group sales. Sales in our 1 179 directly operated boutiques were lower by 22%. There was a high single digit increase in Asia Pacific, with China and domestic Korea both posting strong double digit growth. Part of the double digit increase in the Middle East and Africa can be attributed to the internalisations in the Kingdom of Saudi Arabia just mentioned. All business areas reported declines, with the Jewellery Maisons being less affected. In the second quarter, sales were broadly in line with the prior year period, with positive sales growth since August.

Second, online retail, which represents sales from YOOX NET-A-PORTER and the online sales portion of both Watchfinder as well as the Group's Maisons. Despite the closure of fulfilment centres in the early part of the period, this distribution channel increased its contribution to 22% of Group sales, up from 17% in the prior year period. Excluding the Online Distributors, the Group Maisons' online retail sales represented 7% of Group sales. Online retail was the most resilient channel, as increases in Asia Pacific, Japan and the Middle East and Africa contained the channel's overall decline to 3% versus the prior year.

The remarkable triple digit growth of our Maisons' online retail sales was led by triple digit growth at the Jewellery Maisons and Specialist Watchmakers, and double digit growth at the Fashion & Accessories Maisons. Second quarter sales increased 17% versus the prior year period for the channel as a whole.

Third, wholesale, which includes sales to franchise partners and to multi-brand retail partners, as well as royalty income. Wholesale sales were 42% lower than the prior year period. This channel was the most significantly impacted by COVID-19 and social unrest in some locations. The largest declines were in Europe and the Americas. Watch inventories remained under control, with sell-out exceeding sell-in. Wholesale sales stood at 25% of Group sales, declining from 31% a year ago.

Finally, let us move to the sales breakdown by product line. All product lines recorded lower sales, with jewellery and clothing showing the most resilience. Jewellery now represents the largest product category for the Group by far, at 41% of sales. Jewellery sales grew by double digits in both Asia Pacific, due to the strength in China, and in the Middle East and Africa, sustained by the internalisation of stores and strong demand for the Group Maisons' products, primarily in jewellery. Watch sales have declined in all regions, partly due to their high exposure to wholesale, our hardest hit distribution channel, as well as pandemic-driven point-of-sale closures. In clothing and leather goods, momentum picked up at the Online Distributors once fulfilment centres reopened, but this was not sufficient to fully stem the decline in sales across the period. Over to you, Sophie.

OPERATIONS (continued): Sophie Cagnard, Group Corporate Communications Director

Sophie Cagnard: Thank you, Burkhardt. Let me start with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels. Whilst they reported an 18% decrease in sales overall, Asia Pacific posted mid-single digit sales growth and the Middle East and Africa a high single digit increase, the former supported by very strong growth in China. Online sales at the Jewellery Maisons increased by triple digits, with the Cartier flagship store on Tmall Luxury Pavilion contributing to its performance in China. This momentum, however, could not outweigh the decline in retail and wholesale sales. Second quarter sales increased by 4% overall, driven by growth in Asia Pacific, Middle East and Africa and the Americas. The Jewellery Maisons' operating results were down by 24% to €922 million as a result of lower sales, reduced manufacturing capacity utilisation, higher gold prices and a stronger Swiss franc. The operating margin remained above 30% due to good cost control and targeted investment in digital communications initiatives, along with some store renovations and a few strategically important openings.

Let us look at the main developments over the past six months. While stores were closed and various physical events cancelled, digital initiatives such as Watchmaking Encounters and high jewellery previews proved to be innovative and effective ways to continue to engage with our customers globally. In-store interactions were replaced with distance sales, call centre and digital interactions with clients, notably through social media.

The limited number of store renovations and relocations included Cartier's boutiques in Shanghai Plaza 66, Athens Voukourestiou and San Diego Valley Fair and, and for Van Cleef & Arpels, Place Vendôme in Paris and Prince's building in Hong Kong SAR. In addition, Buccellati acquired the rights to its historic store in Rome, originally opened by Mario Buccellati in 1926, and is in the process of relocating its London store further down Albemarle Street.

Product launches were well-received. Buccellati enhanced its *Tulle* and *Macri* jewellery collections and *Classica* watches. At Cartier, the successful *Clash* jewellery collection has been expanded to include a white gold offer. In watches, Cartier unveiled its latest women's watch, the *Maillon* de Cartier, and rejuvenated *Santos* and *Pasha* watches. At Van Cleef & Arpels, the *Frivole*, *Perlée* and *Alhambra* collections were further enriched.

Let us now review our Specialist Watchmakers business area, which consolidates the results of eight Watch Maisons. Sales were 38% lower, declining in all regions, though Asia Pacific was relatively resilient. Online retail reported a triple digit increase, with strength across most Maisons, partly driven by the opening of flagship stores on Tmall Luxury Pavilion. However, this was more than offset by declines in other channels, primarily due to the Specialist Watchmakers' exposure to multi-brand retail partners. Due to our work in previous years, we entered this challenging situation from a sound position, having sized production to the true level of demand and optimised our distribution networks. Our Maisons have tightly monitored inventories, which are sound, in the channels, with sell-out remaining above sell-in. In the second quarter, sales were down by 18%, a marked improvement from -56% in the first quarter.

Strict cost control and reduced investments partly mitigated the impact on profitability of weaker sales, lower levels of manufacturing capacity utilisation, higher gold prices and a stronger Swiss franc. As a consequence, the operating loss was limited to €8 million.

Our Maisons have been quick to respond to the new challenges arising from the global pandemic. They have launched or facilitated a number of digital initiatives to enhance clients' experience. Let me give you a few examples. They facilitated and participated in Watches & Wonders on the Cloud, following the cancellation of the physical Watches & Wonders Geneva fair in April. This included virtual product presentations and interviews of our Specialist Watchmakers' CEOs. In parallel, a digital campaign was launched on Tmall Luxury Pavilion to showcase the Watch Maisons latest products to clients in China, with interactive experience capabilities such as virtual 3D pop-up stores and augmented reality functionality. The success of this virtual event paved the way for the organisation of two further Watches & Wonders exhibitions, blending online and offline events in Shanghai and Sanya.

IWC and Piaget both launched an innovative boutique experience, where clients were able to navigate around a virtual store and view different products (TC 00:20:00) with a 360-degree panoramic view. The Maisons also brought the in-store experience to clients through distance sales initiatives. Selective store investments included a new IWC flagship store in Zürich, with a live link to its manufacturing facilities in Schaffhausen. It also included the opening of five flagship stores on Tmall Luxury Pavilion for IWC, Jaeger-LeCoultre, Panerai, Piaget and Vacheron Constantin.

Iconic collections were further enriched. In the first half, product launches included the redesigned *Master Control* at Jaeger-LeCoultre, as well as new references for *Portugieser* at IWC, *Possession* and *Limelight Gala* at Piaget and the *Overseas* at Vacheron Constantin.

Now, let us move to Online Distributors, which regroup NET-A-PORTER and Watchfinder. Sales of our Maisons' products on YOOX NET-A-PORTER are shown on both the Maisons' respective business areas and Online Distributors. They are subsequently eliminated on the inter-segment elimination.

Sales decreased 21% to €934 million. There was relative outperformance in Europe, the Middle East and Africa and Japan. Since the reopening of the fulfilment centres, all regions have seen gradual improvements. In the second quarter, sales increased by 2%.

However, good cost control could not fully offset the sharp drop in activity and margin caused by COVID-19, and a highly competitive pricing environment, thus leading Online Distributors to post an operating loss of €138 million, with a €49 million EBITDA loss for the period. Cash flow for the Online Distributors was positive for the period.

During the period under review, YOOX NET-A-PORTER celebrated its 20th anniversary and continued to consolidate its position as a leader in online luxury fashion. 165 exclusive brand capsules were introduced, and NET-A-PORTER's re-platforming is on track. As physical events were cancelled, YOOXNET-A-PORTER partnered with Fondation de la Haute Horlogerie and Alibaba to bring the Watches & Wonders Fair experience to the Chinese clientele online. The joint venture with Alibaba, FENG MAO, continues to progress successfully. NET-A-PORTER's flagship store on Tmall Luxury Pavilion has increased its offering to 202 luxury brands, including 15 local Chinese designer brands.

In addition to the online flagship stores of Alaïa, Chloé and dunhill, YOOX NET-A-PORTER began operating Montblanc's e-commerce facilities in August and Carter.co.uk in October.

Sustainability initiatives continued to be a key focus area, with the introduction of electric delivery vans and the renewal of The Vanguard mentorship programme for its fifth season. The now well-established programme supports emerging designers to become successful brands over the long term.

Watchfinder received a positive customer response to their strengthened international presence, which includes France, Germany, Switzerland, USA and Hong Kong SAR. Watchfinder and Richemont Maisons have continued to explore opportunities to better meet our clients' expectations.

Finally, let us move to the Other businesses, which primarily include the Group's Fashion & Accessories Maisons and watch component manufacturing activities. The 42 sales decline was broad-based across regions and locations, with the exception of China, where sales grew. Overall, online retail grew by double digits, mainly driven by strong performances at Montblanc and Peter Millar, whilst Alaïa, Chloé and dunhill's online flagship stores were negatively affected by the temporary closure of the YOOX NET-A-PORTER fulfilment

centres. Wholesale sales were affected by the difficulties of some department stores in the US and Japan, as well as greatly reduced footfall at airport duty-free shops.

The segment posted an operating loss of €108 million, resulting from lower sales and a lower gross margin, which were partly mitigated by good cost control. Included in the overall operating results were losses at the Group's watch component manufacturers.

Let us look at the development of some of the Maisons. The Fashion & Accessories Maisons accelerated their digital transformation in the wake of the pandemic. This included spring buying campaigns at Alaïa, Chloé, dunhill and Serapian, which employed fully digitalised showrooms. Also, as with some of our other business areas, distance sales tools and live streaming events were organised to allow clients to discover and buy products. Three new flagship stores for Chloé, dunhill and Montblanc were opened on Tmall Luxury Pavilion and early results are promising.

Also, Montblanc's online flagship store is now managed by YOOX NET-A-PORTER, which has strengthened clients' online experience.

Product launches spanned across categories. The most notable ones included the *Mini Daria* bag at Chloé, *Court* sneaker at dunhill, the *M_Gram* collection at Montblanc and *Hyperlite Shield Outerwear* at Peter Millar. In writing instruments, Montblanc launched a *Meisterstück Le Petit Prince & Planet*, and in clothing, dunhill launched a capsule collection with Japanese artist Kenta Kobayashi.

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

FINANCIALS: Burkhardt Grund, Chief Finance Officer

Burkhardt Grund: Thank you, Sophie. Let me walk you through the rest of the P&L, starting with gross profit. Gross profit decreased by 31% and gross margin by 450 basis points. The 57.8% margin was impacted by several factors. The primary factor was lower manufacturing capacity utilisation due to COVID-19. Other factors included adverse currency movements, notably a stronger Swiss franc on costs, higher gold prices and a highly competitive pricing environment in online fashion. To be noted, short-time work compensation scheme contributions of €56 million only partly compensated for significant subactivity losses.

Let us now look at net operating expenses, which decreased to €2.7 billion, a reduction of 21% at both actual and constant exchange rates. Despite early and decisive actions to reduce our cost base, we were not able to fully compensate for the decline in sales and margin, given the mainly fixed nature of most of our costs. I will now walk you through the expenses by category. Selling and distribution expenses, which accounted for 53% of total operating expenses, decreased by 17% at actual exchange rates and by 16% at constant exchange rates. This decline reflects strict cost control across all lines, positive cost impact linked to temporary closures of points of sale, including rent relief, and to a lesser extent, public support schemes. Communication expenses fell by 50% at actual exchange rates or by 49% at constant exchange rates, well above the level of sales decline. This resulted in a lower

communication expense ratio at 6%. Given their more variable nature, we had greater flexibility to reduce these costs. Also, most physical events were cancelled for health and security reasons. Fulfilment expenses decreased by 4% at both constant and actual exchange rates, mainly due to the temporary closure of fulfilment centres early in the period. Administration expenses, which are more fixed in nature, declined by 11% or by 12% at constant exchange rates. Strong discipline and cost control more than offset a stronger Swiss franc and continued technology investment at the Group's Online Distributors and Maisons.

Other expenses, at €97 million, were 5% lower than the prior year period at both actual and constant exchange rates. They included €87 million related to the amortisation of intangible assets (TC 00:30:00) at the Online Distributors, compared to €90 million in the prior year period. Net operating expenses as a percentage of Group sales rose from 46.6% a year ago to 49.5%. This leads us to operating profit, which is down by 61% versus the prior year. The reduction in operating costs, while significant, was not enough to compensate for lower sales and lower gross margin. The operating margin declined to 8.3% from 15.7% in the prior year period.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs for the period amounted to €117 million, compared to €110 million in the prior year period. The limited €7 million year-on-year increase can be explained by a combination of factors mostly offsetting each other. The €43 million reversal in financial expense and a €41 million higher net loss on monetary items were mostly offset by a higher net gain of €68 million from hedging activities and lower fair value adjustments.

Let us now turn to the profit for the period, which decreased to €159 million, primarily due to the decrease in operating profits. There were other minor items that offset one another, namely higher net finance costs and lower taxes. Our effective tax rate for the period amounted to 55.2%, reflecting the geographical distribution of profits and a much lower profit before tax. Cash flow generated from operating activities, at €926 million, was broadly in line with the prior year period. This achievement reflected lower taxes and a significant improvement in working capital, which can be primarily attributed to the reduction in inventories, while the progressive improvement in the wholesale channel led to higher receivables at the end of the period.

Let us now turn to our gross capital expenditure, which amounted to €188 million, 33% lower than the prior year period. Investments were significantly reduced, in an effort to preserve cash. As a percentage of Group sales, capital expenditure was broadly in line, at 3.4%, compared with 3.8% in the prior year period. 45% of gross expenditure related to points-of-sale investments, including internal and franchise boutiques. Investments were mostly related to selective store renovations and openings, including Cartier's boutique in Shanghai IFC and in San Diego at Fashion Valley, as well as the renovated Van Cleef & Arpels flagship store in Hong Kong SAR Prince's Building. Manufacturing spend declined from 12% of gross capital expenditure to 10%, primarily related to development costs and machinery, mostly at Cartier. Other investments accounted for the remaining 45%. They mainly reflected investments in information technology at our Online Distributors and Maisons.

Let us now turn to free cash flow. Free cash inflow amounted to €444 million, an increase of €104 million compared to the prior year period. This increase mainly reflected a stable cash flow from operations, lower capital expenditures, as just discussed, and lower lease

payments, primarily due to rent relief.

Now onto our balance sheet, which remains very strong, with shareholders' equity accounting for 51% of the total. Net cash decreased to €2.111 billion at 30 September 2020, from €2.395 billion at 31 March 2020. Excluding the dividend payment of €529 million, the Group's net cash position would have increased by €245 million. The dividend payment this year was approved at CHF 1 per A share or 10 B shares, compared to CHF 2 per A share or 10 B shares in the prior period.

CONCLUSION: Burkhardt Grund, Chief Finance Officer

I will now make some concluding remarks before turning to questions. First starting with the environment. Despite the macroeconomic uncertainty, we have seen a number of clear trends emerging and are actively responding to these across our Maisons and businesses. We have seen a rapid rise in online luxury shopping, a trend which we believe is here to stay and will continue to strengthen. A softer recovery in wholesale sales due to difficulties at Japanese and US department stores and at multi-brand watch retailers that do not offer online services. This, along with temporary store closures and lower footfall, has contributed to greater direct engagement with end clients. Although the interaction with customers has become less physical, our sales colleagues have been very resourceful, contacting their clients via various social media channels. Overall, our teams have demonstrated strong creativity in promoting our Maisons' products, with virtual tours of boutiques, online product launches and digital watch fairs.

In the absence of international travel, we have also seen Chinese customers re-shoring purchases previously made overseas. It is hard to say how much of international tourism will return once the pandemic is finally behind us. We are monitoring this closely, as, together with higher online sales, it may have long-term implications for our retail network. Omnichannel is much talked about, but in practice, few in the industry have fully embedded the model, which employs connected online and offline retail networks.

Reflecting the increased weight of our Asian clientele, our clientele on average is younger, with more millennials and Gen Z looking for iconic creations and more direct digital engagement. Finally, with the pandemic, we have seen a heightened focus on sustainability issues. Richemont Maisons and businesses stand for timelessness, quality and craftsmanship, values that are particularly sought after in uncertain times and in a more “sustainability-conscious” world. We have a long-standing commitment to conducting business responsibly. We know that there is always more to do regarding corporate and industry-wide sustainability efforts and strive to improve each year. Last year, we accelerated our efforts with a transformational sustainability strategy that reflects our ambition to see luxury create benefits for all and represents Richemont's “Movement for Better Luxury”.

Looking at our half-year results, as just reviewed, I'm not really revealing anything new by saying that these have been very challenging times, with the pandemic affecting all of us. Having said that, we would like to highlight that during our second quarter, we began to see an improvement in sales, starting in China and then, to a lesser degree, in some other locations. As a result, the decline in sales was limited to 2% at constant currencies, driven by

positive growth at the Jewellery Maisons and Online Distributors. The Group as a whole resumed growth in August at constant exchange rates.

Going forward, the lack of visibility surrounding the pandemic and macroeconomic uncertainty obliges us to remain cautious and agile. Obviously, the safety of our colleagues, clients and partners is at the core of everything we do. Given the recent sharp increase in the number of cases in many parts of the western world, we will continue to be extremely vigilant.

We will also continue our unrelenting focus on cash, to continue generating positive free cash flow. We will continue to monitor inventories, keep tight control on costs and make targeted investments that support our strategic journey towards New Retail.

Our Maisons and businesses will accelerate their digital transformation and continue implementing innovative initiatives to generate sales. We have demonstrated our ability to adapt quickly. We are confident we will emerge from this crisis stronger, thanks to decisive actions and making the right calls in investment and creative initiatives, all supported by a strong balance sheet.

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

QUESTIONS AND ANSWERS: Johann Rupert, Chairman; Jérôme Lambert, Chief Executive Officer; Burkhart Grund, Chief Finance Officer; Sophie Cagnard, Group Corporate Communications Director

Sophie Cagnard: Thank you, Burkhart. Thank you to so many of you for taking the time to e-mail your most pressing questions, including this morning, after yesterday's announcement. We thank you very much for your reactivity. Actually, lots of questions, as you can gather, were widely shared. We'll read them in descending order of prevalence for you. Unsurprisingly, a lot of questions surrounded yesterday's announcement (TC 00:40:00), basically around the rationale, what is the strategic rationale. As one analyst put it, "why this transaction, given the problems you're having with YNAP? I can't see any innovative scale advantage." That would be question number one, and then I will read the other questions around that matter. I think, Mr Rupert, this is for you.

Johann Rupert: Boy, do I have to? [Inaudible] Our journey really started about nearly 20 years ago, when we were in the process of selling our shares in Vivendi, that we got out of the exit of our pay TV business, and the shares were trading at about €68 and I was uncomfortable, because we had a lock-up for a year. We asked Lehman Brothers, and they had a genius there by the name of Arnaud Massenet, and he got us €68, and a year later when the lock-up was over, we'd obviously sold, gotten the cash by then, the share price was €8. During that period, we got to know Natalie Massenet and she was dreaming about starting an online store, and we were intrigued, and a colleague of ours, Eloy Michotte, brought it to our attention. We took a small stake and got to know the business, but we only requested one thing, if we were going to share the journey, we didn't want to go through all the pain and learning and then to find out that another competitor would buy it, so we said, "Please could

we have pre-emptive rights if you ever wish to sell?" All the shares we bought subsequently were at the behest of shareholders in NAP. We never really had the intention to buy it, control it, etc. We always respected the neutrality of NAP. Some of you may recall, in 2015, at the FT luxury goods conference, I made an appeal to the other luxury goods companies to join us. I expressed the view, our view, that this was a very big game that I was not sure that any single luxury goods company, no matter how big, could do on their own, and appealed to the other groups that we would form a platform and really do it like Spotify has now done with the content providers or shareholders, but it's run as a neutral platform. That fell on deaf ears and obviously the prisoner's dilemma took over and everybody acted in their own worst interests. We then realised we needed more scale and we did the YOOX deal.

In the meantime, technology had advanced, so whilst we were doing well in the curatorial side, and it's of special value to Richemont. Now, you've got to understand that we've got to look at it from a Richemont perspective and then from a YNAP perspective. From a Richemont perspective, and from all brand owners, people prefer selective distribution. We were approached. We did not initiate this conversation, and it made sense to me because I have always been interested in technology. In fact, before Richemont, we had Rand Merchant Bank and we were partners with a genius, unfortunately since passed away Tielman Luden who had a company Siltek and we were the first Apple distributors in South Africa and we built Rand Merchant Bank on Apple Macs. We were, in fact, the first bank to computerise. I then got everybody, all my colleagues, Macs, and to think when we started Richemont, all the planning, everything done on Macs 128k, to think that a little SD card on a DJI drone today has the memory of 1.5 million of those Macs. We always approached it from a technology side, everything.

Now, the difference between Farfetch and a number of others, these competitors were platforms created by people from the software platform side. They were coders. We also found, when we met with and got to know the Alibaba people a lot better, they're also coders, so we had the coders creating the platform, and then the curators, Natalie and then Federico, who could do the curation. Now, for our clients, the curation is very, very valuable, and that was also the interest of Alibaba when they approached us to do the joint venture in China. Clients like it. When the opportunity arose now to work together in China, as I've said, we did not initiate it, we looked upon it as providing 1P and 3P put together, a hybrid model. We absolutely believe that online and e-commerce and new retail will grow. Now, this has obviously accelerated almost exponentially due to the COVID crisis. I think it's a reset for all of us, not just a pause, and we wanted to make sure that we were leaders in that field. It combines 1P and 3P and it gives optionality to brand owners, and clearly our new partners also believe in that. Now, let me be quite clear, Farfetch will continue to be run by José Neves and his team, and I'm not just saying it now, but I [audio cuts out] ad infinitum as long as José wishes to.

Secondly, as per a question from the press, no money is taken out of the company. It is going into Farfetch China, Farfetch, and we have optionality to later on convert into the holding company shares. We will work together. It's been very difficult during COVID times to advance any further discussions, but over the next two to three years, we will work together. Currently, the two companies, in his words, have got different blood types, so there's a lot of work to be done. I don't want to speculate. (TC 00:50:00) They're a public company. There's nothing that should be put in the public domain now. We're very, very cautious, but clearly

we are looking at getting to a model that gives the best optionality for clients, on the one hand, and Maisons, ours, now Kering has joined, and others to use this platform. I don't know, we could carry on for two hours on that, but it's a limited time and I'm sure Jérôme and Burkhardt and others can add to that.

Sophie Cagnard: Otherwise, I've got some more questions that maybe I can raise now. Would it be possible to understand what this proposed transaction means for YNAP and Richemont's e-comm strategy moving forward? What are your thoughts on the key strategic synergies between your brand portfolio and Farfetch, and also between YNAP and Farfetch? How does it impact on FENG MAO?

Johann Rupert: Sophie, we just announced the deal last night. I think that is really a work in progress.

Sophie Cagnard: Understood. I'll move on to more questions on YNAP itself, and notably on YNAP's business model. Many analysts asked whether there were any plans to shift YNAP from wholesale to a more platform-based business model, and if so, to what extent, and if not, why not?

Johann Rupert: Well, that's been answered in the first answer.

Sophie Cagnard: In a way, yes. Then the other questions relate to YNAP losses. With losses now and next year, what is the time frame for YNAP breaking even and what are your levers to achieve it?

Johann Rupert: You know, Sophie, I need to address all of this. In your business philosophy you can either build goodwill or you can buy goodwill. The way in which the accounting profession and financial analysts, how we're modelling it today, is they applaud you if you buy another company and you pay a fortune in either your own shares, which is the worst, or in cash, to make an acquisition where you reward the previous shareholders. The goodwill, the brand equity, the systems that you've built up that got amortised over the years, that went through the previous company's P&L, and you keep on getting questions and questions. Now, if you look at when we started with Van Cleef, the company was losing nearly what we paid for it annually, and every year, not only from analysts, but from directors, non-executive directors specifically, I would get the question, "Now, when is it going to turn profitable? When is it going to turn profitable? When is it going to turn profitable?" Sometimes you've got to invest and sometimes you've got to build and develop, and that's part of building goodwill and building knowledge. I think this obsession with what is it going to cost, what are the losses going to be, if we hadn't done it, we wouldn't have been able to get into the situation now where hopefully we can build the model with 1P and 3P that's attractive not only to Richemont but to other brand owners as well. Obviously, we won't have to amortise a lot of the programming that we had to, because we will be able to access it in another way, but that is to be negotiated. That's the intent.

Sophie Cagnard: Right. The next question is, I think, for Jérôme. When will the migration of NET-A-PORTER be completed?

Jérôme Lambert: Yes, thank you, Sophie. In foreground, I want to stress and underline that YNAP and Watchfinder, our two Online Distributors, have been through a very intense

journey. You'll remember that distribution centres were closed in the early spring, but since June, the team has been working very hard to recover. As stressed by Burkhart in his presentation, very tough work has been done by the team in terms of cash flow and we saw a significant improvement, to take his words, in terms of cash flow situation for our Online Distributors, and particularly at YNAP, and that's what the team has been very actively doing. They've also been recovering a lot in terms of client relationships and in terms of bringing the level of service back to where it was before COVID. When it comes to re-platforming, the team has been, despite COVID, also working very intensively. We are on track with the last mile of that phase of re-platforming, which is the NAP re-platforming and the cutover, which is the localisation, mainly the localisation and the upgrade of our NAP platform, the cutover zero which is in the Middle East, have been achieved by the team with success, so this one is quite remarkable. The second one, which is also quite important, is that the onboarding of our Maisons on YNAP is progressing, and again, all what our Chairman said this morning, is putting this embarking, is making this embarking even more important for the future. It was Montblanc in the summer and it was Cartier.co.uk just a few weeks ago, and these two, re-platforming, October, has been achieved per agenda in the conditions that were expected and specified. At Montblanc, we could even see that there was no regression but a continuous improvement of the performance.

Sophie Cagnard: Thank you, Jérôme. We can move now to the Jewellery Maisons, and there is a question more related to Cartier and Tiffany, maybe for Burkhart. From what angle would you expect the competition to intensify from a geographical, product and retail channel, price point--America versus Europe or Asia, entry price versus high end, bridal, high jewellery versus other types of products, new store concepts? What approaches are you taking in this respect, and also whether this changes your outlook on revenues growth and margins at Cartier?

Burkhart Grund: Sophie, thank you for the question. I think I cannot be really helpful on this, because we do not comment on our competitors and their respective or prospective plans. We cannot really make any statements around this at the present time, because as we all know, the culmination of the deal between, you know, those two groups that you just named has not yet closed, so I think it's way too early to make any coherent statements about that.

Sophie Cagnard: The next question actually relates to *Clash* and whether the launch of *Clash* has enabled Cartier to take market share at the expense of competitors, or has the launch actually been at the expense of the other Cartier lines? In other words, has there been any cannibalisation?

Burkhart Grund: Listen, I can only refer to, I would say, an undisturbed situation, because obviously the pandemic that we have been going through during the last six or, shall we say, eight to nine months has changed many things. (TC 01:00:00) What has become very clear is that Cartier has had a very strong acceleration or, let's say, re-acceleration over recent months. They have clearly emerged the quickest out of lockdowns and the disruption that the pandemic has caused. Their jewellery lines have been enriched, as we know, through the launch of *Clash*, where we now have, and that's what we usually do over the years, extend and enrich the collection through additional functionalities, additional materials, additional offers. This has been done now and Cartier has successfully added the white gold offer to the *Clash* line, also higher positioned in terms of pricing, and once again, referring to what we've seen and also discussed during the last year, we have not seen cannibalisation. We've seen the

other jewellery lines accelerating in line with the very strong success around *Clash*, and you remember that in the last fiscal year, we spoke about it, saying that we had even situations in the first six months after launching the line where we could not satisfy the customer demand due to it vastly exceeding our initial planning, and I think that still holds true. Very strong growth, obviously, over the last two years for this new line, and no visible cannibalisation effect that we have seen.

Sophie Cagnard: Thank you, Burkhart. The next question relates to the percentage of online sales done by Cartier and Van Cleef & Arpels, and where do we see this, what is our long-term target?

Burkhart Grund: Well, Sophie, you should know this better, that we will not break this out by-

Sophie Cagnard: Yes, I do, but there's no censorship....

Burkhart Grund: I know. Let's say, by individual Maisons. What we have seen and what we've commented on quite largely throughout the presentation, and also through our press release, is that Jewellery Maisons have had greater exposure and, I would say, were advanced, more advanced than some other businesses, especially watch business, in the online penetration. As you know, we've deployed our online operations over the last 10 years, 10, 12 years around the globe. One of the biggest markets historically has been the American market, the North American market, where the Jewellery Maisons and Montblanc have been the leading Maisons. On that success, Jewellery Maisons have significantly increased their online penetration in the US, as they have in Asia, primarily in China, because we have added stores to that, notably the online, Luxury Pavilion online flagship store or Pavilion flagship store, as we now call it, for Cartier. The online penetration for our Jewellery Maisons is higher than for the Specialist Watchmakers, but still lower than the Fashion & Accessories Maisons, which had the highest online penetration even before the pandemic. I'd say the question is less about what is the weight or the penetration of each individual channel, be it online or offline retail, but the question is more about how do we actually link those two channels in terms of customer intelligence, in terms of inventory intelligence? That in part will be addressed through this partnership that we have now established or are in the process of launching between ourselves, YOOX NET-A-PORTER, Alibaba and Farfetch. Thank you, Sophie.

Sophie Cagnard: Thank you, Burkhart. Thank you. We should move now to more portfolio-related questions, which are more for Mr Rupert. Quite a number of analysts wrote, you stated in May that the Group would not be sold or merged. Are you still in the same mind frame? Is it time for a transformational deal, including merger or being taken over?

Johann Rupert: You know, I had a chat, as you know, to Andrea before about this article that was really quite a surprise, because I didn't know that we were in any way for sale at all, and I think it was just a bit of a red herring during the, at that stage, problems between LVMH and Tiffany. There was no substance to it. We have so often spoken about these so-called transformational deals. Neither are on the horizon.

Sophie Cagnard: Thank you. The next question relates to business diversification. Does Richemont have the business diversification that it should have, or would it consider to

expand or strengthen in other areas, and if so, which ones?

Johann Rupert: I think we've just done one.

Sophie Cagnard: Alright. There's no point in asking the question on F&A. Has the board considered the option to exit the soft luxury operations which have not made profit since 2007, and would any such decisions be accelerated now that Mr Fortunato is in place?

Johann Rupert: I think we have just found a very good route to market for Fashion & Accessories and I think our deal with Alber Elbaz will become very, very exciting in the next three months, so the answer is no. We now have a way to the route to market that was dramatic before, because it was a question of do you open more stores, do you put more CAPEX in, that chicken and egg, with that you then increase sales? We've never really been good at fast fashion, but I think the whole fast-fashion business model is under scrutiny. I'm not sure that it's sustainable. This buy-now, throwaway culture may have peaked a while ago, and certainly post-COVID, I'm not sure that it's sustainable. That's just a different philosophy.

Sophie Cagnard: Thank you. I suggest moving towards watches, so that's a question more for you, Jérôme. How would you describe the current stock levels at your wholesale partners? Can you comment on sell-in versus sell-out? I imagine we've answered that during the presentation. Any risks of new buy-backs, for instance, they referred to Hengdeli's decision to exit watch retail?

Jérôme Lambert: Thank you, Sophie. As commented by Burkhart and our Chairman, indeed the SOSI, so the ratio between sell-out and the sell-in, remains over 100%, which is a very important point of measurement of our performance. Again, our Chairman said this morning the crisis of COVID is a stress test for our organisation. We consider that the COVID is also a very stress test for our going direct, more and more going direct to our clients through retail or through wholesale, which requires a very good stock understanding and monitoring. If you are only a retailer, you monitor your own stock. If you want to have an approach that favours retail and wholesale and our wholesale partners, you need a strong monitoring outfit. It was put, remember, in place now a good three-and-a-half years, four years ago, we put good tools to monitor that and we're happy to report that they are more than ever active, and then (TC 01:10:00) we have this higher sell-out than sell-in. For sure, some regions are particularly showing that. Today, in APAC and more specifically in China, we are already facing a situation of shortage for some of our Maisons, which is good news in a way. It shows a strong aspiration of the end client, constant strong aspiration for products. We spoke a lot from APAC and China, but it's also true in other regions of the world. Middle East, as Burkhart was saying, has been showing a strong resilience and recovery, and other regions. It's a necessity, and through that phase, we see how it functions, and then if you see how a manufacture, you can name the one of IWC, the one of Jaeger, the one of Vacheron, and of course, the one of Cartier, the rate of occupation of our team shows that it is a true reality.

Only a few weeks after closing, we have re-emerging and we have been putting back a very high level of activity because we had no stock and we had not to absorb months or years of stock ahead of us. Again, besides the market monitoring, it's also a question of how we monitor our social commitment to our colleagues, and that's what we always have in the back of our head when we do this kind of management. It's good for the market, for sure, because

it's just then long-term and mid-term value, but that's also probably the best insurance that we can have towards our commitment, towards our colleagues and our social responsibility. Thank you, Sophie. Sophie? Back to you.

Sophie Cagnard: Sorry. Yes, I was on mute. Is the supply chain and distribution network lean enough now for the Specialist Watchmakers?

Jérôme Lambert: I think, again-,

Sophie Cagnard: Would you consider moving to a more selective distribution?

Jérôme Lambert: Selective distribution was a word we've been using a lot, and selective distribution is another way to say qualitative distribution. We believe in it. We believe that the best service, the best offer that the best service and the best offer are correlated, and for a long time, we have established it with strong commitment and investment. Said that, you can see that our network tends to stabilise itself within the time, because there are still regions of the world where the network is expanding. Again, you speak from China, but you even can speak from Japan, for example, where we tend to have more presence of our offer today. Other regions are contracting themselves, as it's also linked to social evolution of these countries with concentration of population in towns and so on and so on. I would say the network is now stabilised. It knows marginal adaptation and follows more macro-economic trends when it comes to that. For sure, new retail will push us to have more and more immersive experience shops, and the one of IWC in Zurich is probably one of the best examples, if not the best example of what we mean when we speak from immersive experience. Combining this immersive experience shop with e-commerce will, for sure, offer to our clients for the future even more chance to access to the products and to the service in best conditions.

Sophie Cagnard: Thank you.

Johann Rupert: Sophie, sorry, it's Johann here. I think it's a very good question and had this COVID pandemic, this human crisis hit us three or four years ago, we would have been in trouble, but we deliberately cleaned the market. The people on the call will remember. We really, really cleaned the whole market, and our colleagues, led by Emmanuel Perrin, applied, with the help of the other heads of the Watch Maisons, proper discipline, so that our sell-in had to be less than our sell-out. I think, to add, to corroborate that is, if you look at our cash flow over the period up to now, early November, it would have been a disastrous cash flow had our stocks not been cleaned. Our stocks are cleaner and I'm happier with the level of our stocks now than four or five years ago, and that is a compliment to our colleagues in the watch division, and to Burkhart.

Burkhart Grund: Can I just add my perspective to that, excuse me, Sophie, which is taking it from a different angle but basically saying the same. We've done, as you know, buy-backs in watches, first at Cartier and then at the Specialist Watchmakers, for a reason, because the inventory and the excess inventory that was sitting in the channel or with our trade partners was inventory that did not turn because it came or was sold in at a different time in the cycle, so to say. We said we will help our trade partners, who bear responsibility, with ourselves, for having let that inventory situation build up, we will help them, but we cannot just buy back and then continue with the old ways of before. That's when we tried to, and I think we have

managed very well through the very strong, continued and durable commitment of all our colleagues in our Maisons, we've managed to rebalance the relationship with our wholesale partners so that actually the inventory that we sell into them is lean, is monitored and is really built and structured so that they can best serve their customers, which means our customers as well.

We have gone through considerable pain and considerable criticism for doing these buy-backs, but we've always said if we do these buy-backs, it cannot be a one-shot, it has to be accompanied, going forward, by a different way of running this business, with different management principles and KPIs. Sell-in, sell-out, or the other way round, as we use it, is a very important KPI, but it's not for the sake of having a KPI, it's for the sake of having a clean inventory position that will avoid, in the long run, brand equity impairment. Our trade partners have partnered up with us, and I think we have a very good ongoing tool that enables us to actually avoid future buy-backs. That's why I think we will have to put this argument or this question to rest now of, 'Are you planning additional inventory buy-backs?' Our inventory management approach is clean and I think long-term sustainable, and I think hopefully this answers the question. Throughout this pandemic, we've applied the same approach and it actually has helped us preserve cash flow, and I think has helped us preserve cash flow of our partners as well. Thank you, Sophie.

Sophie Cagnard: Thank you, Burkhart. The next question is a bit of a challenging comment on our watch reserve value, or basically the strength of our Maisons. Can Richemont's watch brands, including Cartier, ever have the same secondary market characteristics, ie maintaining if not high value then primary, as Rolex, (TC 01:20:00) AP and others, and what are you doing there?

Jérôme Lambert: Sophie, I can first start to say, and because that's a good correlation with the previous one, that we have around 10 000 colleagues working in the different manufactures of Richemont in France, in Switzerland for the watches, in Italy, in Germany for the watches and the writing instruments. Somehow the work that we have in our manufactures is directly correlated to what I was saying, a smooth management of the demand and by the constant capability to adapt our offer to the demand. We tend to pay attention not to have, to the top or to the down, elements that will be out of the control. We do believe that speculative sometimes perception of the value of a product much further than, far from the use of a product, builds an intrinsic risk, and in our risk appreciation, we don't want to have an operating business model built on speculation of the value that a product can take. It's important for us that there is a value of use, that the investment is well-protected. Burkhart was speaking from the cash and from KPIs, there is one that we follow with a lot of attention, that's the discount rate in our own boutiques. Today, in COVID time, our discount rate in our boutiques all through the Specialist Watchmakers has varied from less than 1%, and that's rather lower from 0.5%, on top of my mind, than higher, a high rate. That's the way we consider and ensure that the value of the products is good and maintained.

Of course we can always name one product or the other. Of course, we could say, 'Oh, look at the sales of Lange & Söhne.' If I'm not wrong, the market price of this watch is below €30 000, and today, the secondary so-called market is putting the watch over €100 000, for a watch that has been just out within one year. That's a coefficient factor of three within less than 12 months for the watch over €30 000, but do we want to build the applicability, the sustainability of the business model of Lange & Söhne with hundreds of colleagues there

based on that speculative flow? No, it will be completely unreasonable. Protecting the value of our clients, for sure.

Sophie Cagnard: Thank you, Jérôme. This is a question probably for Burkhart, whether there's been any change in trend in October compared to Q2?

Burkhart Grund: Listen, I think, Sophie, I think we've abandoned looking at short-term trends. We've had our reasons for that, but let me be helpful, we have not yet seen a change in trend. That is looking backwards. Looking forwards, we simply do not have enough visibility to project that out.

Sophie Cagnard: Were there costs taken out of the business through COVID-19 which won't come back? For instance, they're mentioning the examples of store closures or restructuring of some businesses and, if I may, just so that you have the whole picture of all the questions raised, are there any areas within the central group functions that can be streamlined, and are we reconsidering our store footprint in light of COVID-19, but also in light of increasing online sales?

Burkhart Grund: Listen, I think these are many questions and I know that they are intended to feed the models to project the business out and come up with a price recommendation. Now, let me put it this way, the strongest reduction in our expense lines that we have seen in the first half was clearly on communication. We've cut communication in half, and this is a cost we've taken out, short term, out of the business, but obviously if you want to maintain, enrich your brand equity, that is not a sustainable position. We have had short-term disruption through store closures and fulfilment centre closures, which actually yield a short-term positive impact. When you're not operating, you're basically not spending your variable portion of your costs, the fixed cost still stays. We've had support from short-term working schemes, and we have been able to successfully negotiate rent relief from our landlords across the world or around the world. These are all, I would say, pandemic-related impacts, and I let it to your appreciation, based on what your assessment of the situation going forward is, to decide if these effects are to stay or are to be repeated in H2. I simply am impossible to project out how the rest of the year will evolve.

We always hold back, in normal times, if these normal times still exist, to give projections, because we simply cannot project all the variables that will impact our trading conditions and ultimately our results, and how would we do so in the midst of a pandemic, and I must say in the midst of a second wave, hopefully it's the midst already or if it's still the beginning, we still don't know, so it's very difficult to project that out into the future. The principles that we apply will remain the same, cash first, margin second and sales third. This is has been a mantra that has helped us manage from a financial perspective through this challenging period, and these principles remain in place.

Sophie Cagnard: Thank you, Burkhart. We've got broader questions related to COVID-19. Are there any learnings that have surprised us, and are we satisfied with the progress Richemont is making? The analyst was referring also to the fact that there is probably a rise in equality, in inequality, sorry. It might be more for-

Jérôme Lambert: Sophie, the first learning, and it has been resonating the whole morning throughout the different speeches, is digital penetration. The digital penetration, you and

Burkhart, you gave some numbers during your presentation, the digital penetration when you come to clients direct is two digit, and after the first semester, it was over 13% even at that time. It remains two digit, despite the shops are back and open, so something has changed in the way our end clients interact when it comes to the transaction with us. They are no longer not only using physical shops in many territories to acquire our products. Maybe it was maybe of use and just driven by the absolute necessity and absence of choice during three months, because shops were closed, but even after, we see that it stays. That's something that we have seen, and what we have learned out of it, it was the absolute necessity to have an agile organisation to be capable to answer to that demand, so that's the first element. The second one is that the demand is extremely fluid, has been extremely fluid during the weeks and during the last weeks and months, and that we need to be capable to move quickly our resources in the different geographies. Again, here, it gives a lot of rationales behind looking for omni-stock when it comes to having our products available around the different markets and the different networks (TC 01:30:00) in as fluid a way as the market becomes fluid, this is the second one.

The third one is, after all, the way, the whole way of working within our organisation has changed, and again, we can really congratulate our team for their quick adaptation into that phase. We spoke from the roll-out of new IT solutions within YNAP, but Richemont had also a very major one. It's our SAP distribution backbone implementation in China. That's a project which is a very large magnitude in terms of teams and in terms of timeline, and that whole roll-out has been done completely at distance, between our centre of competence here in Switzerland and the team on the market, and it has been achieved in absolute respecting the agenda, respecting the conditions of service, with no interruption of our chain. It's something we have learnt throughout this period, is to work more distanced, and for sure, the actual lockdown in many countries and still the very difficult time we see and we know throughout the pandemic is accelerating distance work, 'télé-travail', whatever is the word that we have to use, to respect and to play our role in that fight against the pandemic. It's mainly three key learnings of that period.

Sophie Cagnard: Thank you, Jérôme. Should I move on to the next question? It's already 11:00, so really we've got time, I think, for, I would say, two more questions, if you agree with me?

Burkhart Grund: Yes, go ahead.

Sophie Cagnard: The next question is for Mr Rupert. What role does Mr Rupert see for his family in the next 10 to 15 years, or maybe less?

Johann Rupert: Could you repeat that, please?

Sophie Cagnard: Yes. What role do you see for your family within Richemont in the medium term?

Johann Rupert: Well, as shareholders, obviously they will remain, and I've made it quite clear, and it's neither his wish nor my recommendation, that any of them will have direct executive roles, as executive chairman, etc. We've always run Richemont on a collegial basis. Sadly, once, when I was overruled, when we could have bought half of Gucci for €175 million from Maurizio and Investcorp wanted us in, but I bowed to the collegial, to the

board. We've run it in a collegial way, and Richemont today is too complex for one individual to run. That's why we've been criticised for having various structures of co-CEOs and troikas. The watch business is totally different from the jewellery business, it's totally different from fashion and accessories, it's totally different, etc, etc, etc. I must say, had he not helped me, finding a solution, we would not have been able-, he found the solution and the key to the-, my son Anton found the solution to the key to doing the deal with José and-, that satisfied our current structure and hopefully future cooperation whilst preserving the autonomy of our various Maisons to choose in which way they can use the platforms. So the speculation is irritating. The company was never for sale. We don't plan selling it. As shareholders, yes, they will be there.

Sophie Cagnard: Thank you, Mr Rupert. I think this is now the end of our half-year '21 results presentation. Thank you again very much for your questions and participation. That was really very much appreciated. I know a few still have been left unanswered, so James and I will now call you to answer them, and we wish you a good day. Speak soon. Bye-bye.

Johann Rupert: Stay safe.

Burkhardt Grund: Thank you very much.

Sophie Cagnard: Thank you.

Jérôme Lambert: Thank you.