RICHEMONT

FY25 Annual Results

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INTRODUCTION

Alessandra Girolami: Good morning everyone, and welcome to Richemont's 2025 full year results presentation. Thank you for joining us in person in Geneva or virtually by webcast. I am Alessandra Girolami, Group IR Director, and joining me today are Johann Rupert, Chairman, Nicolas Bos, CEO, and Burkhart Grund, CFO.

As usual, the company announcement and results presentation can be downloaded from www.richemont.com and the replay of the webcast will be available on our website today from 3pm Geneva time. Before we begin, please take note of the forward-looking statements in our ad hoc announcement and on slide two of our presentation.

Turning now to the presentation, Nicolas will begin by discussing the year's highlights and Group sales. Burkhart will then review our business areas and Group financials, and Nicolas will finish with some concluding remarks. This presentation will then be followed by a Q&A session open to participants present in the room. I will now hand over to Nicolas.

HIGHLIGHTS

Nicolas Bos: Thank you, Alessandra, and good morning to everyone. Thank you for joining us today.

In FY25, Richemont delivered a robust performance in an uncertain macroeconomic environment, and I would like to start by warmly thanking our teams for their dedication throughout the year.
Let's now go over our key numbers.

Sales reached 21.4 billion euros, an all-time-high for the Group, up 4% at actual and constant exchange rates.

Operating profit stood at 4.5 billion euros, down 7% compared to the prior year, or down 4% excluding unfavourable foreign exchange movements.

Profit from continuing operations, at 3.8 billion euros, was 1% lower than the prior year.

Cash flow from operating activities amounted to 4.4 billion euros.

Finally, our net cash position remained robust at 8.3 billion euros.

Turning to our highlights. Following a resilient first half, we saw our sales performance accelerate in the second half, with a 10% rise in Q3 followed by +7% in Q4. Overall, sales were up 4% over the year.

The Jewellery Maisons, the Group's largest business area, posted a high single-digit increase for the year, led by double-digit growth in the second half. Combined with a solid performance in F&A, this more than offset the decline seen at the Specialist Watchmakers.

Over the year, we saw double-digit growth in ALL our regions except Asia Pacific, which remained impacted by soft demand in China. This led to the further rebalancing of our regional footprint, thereby enhancing the resilience of the Group.

Moving to our financial performance, we posted 4.5 billion euros of operating profit, down 7% versus the prior year.

The decline in operating profit largely reflected the impact of external headwinds including higher raw materials costs, notably gold, and unfavourable foreign exchange movements as well as lower sales at the Specialist Watchmakers weakening fixed cost absorption.

Also included were 72 million euros of non-recurring charges and other one-time items that Burkhart will take you through later. Adjusted for these, the decline in operating profit was actually very limited.

This overall robust performance was underpinned by a rise in operating profit during the second half, thanks to the strong sales growth mentioned earlier, particularly at Jewellery Maisons, and as a result of ongoing cost discipline.

Additionally, over the year, Richemont renewed its executive leadership and governance.
We have expanded and deepened the expertise of the Senior Executive Committee, with the respective nominations of Catherine (Rénier) and Louis (Ferla) at the helm of our largest Maisons, Van Cleef & Arpels and Cartier, and of Marie-Aude (Stocker) as our dedicated Chief People Officer.

I am equally proud that, as part of our long-term succession planning, we were able to implement smooth senior management transitions at several of our Maisons. Contributing to the stability of the business, we have drawn from our top talent pool that combines both broad industry expertise and extensive Group experience.

With a reinforced governance and talented teams around me, I am confident that we are fully equipped to navigate the current uncertainty while continuing to build the Group's future.

On this note, and before handing back to Burkhart, I would like to spend a moment on how we are investing to support the business for the long term.

First, we continued to selectively expand our network, further strengthening our local anchoring in key cities and our proximity with local clienteles, for a total of 25 net new internal boutiques, including 8 from Vhernier.

In parallel, we pursued a targeted program of renovations, relocations and extensions, across all regions and business areas, striving to offer an enhanced client experience in the best locations. In FY25, we dedicated close to 500 million euros in capex to our distribution network, and another 200 million to the acquisition of two real estate assets in prime locations in London.

Second, we've strategically invested in our manufacturing capacity, focused on the Jewellery Maisons, to support business growth and increase agility.

Additional capacity was created for Cartier in Valenza in Italy, new ateliers were acquired by Van Cleef & Arpels in France, and Buccellati proceeded with the integration of previously acquired workshops in Italy.

In total, 400 million euros were spent on manufacturing capex during the year, a significant increase on the prior year.

Overall, the vast majority of the 1 400 new colleagues recruited last year were for roles in distribution and manufacturing.

Third, we continue to invest to preserve rare artisanal skills and foster young talent creativity through educational programmes. To mention but a few examples, over 170 apprentices are currently enrolled in our Watchmaking course in Switzerland, whilst every year our Creative Academy in Milan trains 20 of the

best young designers in different luxury domains and has been doing so for over 20 years. Another example is dunhill's new craft apprenticeship programme which, in partnership with two highly regarded Colleges, will help maintain expertise in traditional (leather and pipe) techniques.

With its opening in Dubai this year, l'Ecole des Arts Joailliers, supported by Van Cleef & Arpels, will aim at sharing the Jewellery culture and its savoir-faire to an even wider audience.

In addition, many of our Maisons actively contributed to Homo Faber, a biannual major event that brought together over 400 artisans in Venice last September.

Lastly, the objective of our communications strategy is to continue building brand desirability over time. This includes our participation in the renowned annual Watches & Wonders event, where we showcase the innovation and creativity anchored in the heritage of our Maisons. And it also includes relevant and impactful high jewellery events, such as the Nature Sauvage, l'Ile au Trésor collections and the Prince of Goldsmith exhibition in Venice.

When it comes to communication, we make no compromise on the investments needed to nurture our brands but remain disciplined in the way we allocate them. This has helped us maintain a stable ratio of communication expenses over sales, at around 10% last year.

SALES

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

All regions grew double digits over the year, with the exception of Asia Pacific.

Sales in Europe increased by double digits, with stronger growth in the second half. The performance was fuelled by robust local demand and double-digit growth in tourist spending, particularly from North America and the Middle East. All channels and all main markets posted growth, with notable performances in France, Italy and Spain. Fourth quarter sales grew by 13%. Sales in Europe made up 23% of Group sales, slightly up from the prior year.

Asia Pacific sales were 13% lower than the prior year, with a softer decline in the second half. The performance was largely due to a 23% decline in China, Hong Kong and Macau combined, affected by continued weak demand in the market. Excluding China, the rest of the region posted growth, led by a double-digit increase in sales for the South Korean market. Jewellery Maisons and online retail sales showed the highest resilience during the year, while Specialist Watchmakers were strongly impacted by their exposure to the Chinese clientele. Fourth quarter sales for the region were down by 7%. Sales in Asia Pacific represented 33% of Group sales, down from 40% the year before.

Turning to the Americas, sales increased by 15%, with growth across all business areas and channels, benefiting from robust domestic demand throughout the year. This was particularly the case in the second half despite a mixed macroeconomic backdrop. Fourth quarter sales were up by 16%. The Americas contributed 25% of Group sales, up from 22% a year earlier.

Japan grew by 30% and posted the strongest regional increase for the third consecutive year. This was fuelled by strong domestic and tourist demand, notably from mainland Chinese clients. It is worth noting that fourth quarter sales in Japan grew by 22% against a particularly challenging comparative of +41% in the prior year period. Japan's contribution to Group sales increased by two points to 10%.

In the Middle East & Africa, sales rose by 14%, with growth across all channels, driven by higher spend from both local and tourist clients. The United Arab Emirates market was a notable contributor to growth. Fourth quarter sales rose by 14%, as did sales for the full year. Sales in the Middle East & Africa region represented 9% of Group sales, up one point over the previous year.

Looking more broadly, all regions contributed strongly with the exception of Asia Pacific. The Americas grew their sales by over 700 million euros, Europe and Japan by over 400 million euros each. The strong contributions from these regions more than offset the decline in Asia Pacific, underscoring the value of our diversified regional footprint.

Let us now turn to sales by distribution channel, with growth expressed at constant exchange rates. Retail represented 70% of Group sales, up by one point compared to the prior year. Retail sales increased by 6%, led by a strong performance at the Jewellery Maisons, and double-digit increases in all regions except Asia Pacific.

Online retail contributed 6% of Group sales, in line with the prior year. Sales rose by 11%, benefitting from strong performance at the Jewellery and F&A Maisons. Regionally, Asia Pacific recorded a slight decline that was more than offset by very solid increases in all other regions.

Finally, the wholesale channel represented 24% of the total, with sales down by 3%. The decline was led by Specialist Watchmakers and regionally by Asia Pacific, with growth in all other regions. Overall, direct-to-client sales, combining sales in directly operated stores and online, made up 76% of the Group, an increase of 170 basis points versus the prior year. Of note, Jewellery Maisons' sales through directly operated stores now approach 85%.

With this, I now hand over to Burkhart who will take you through the year's highlights by business area. Over to you Burkhart.

BUSINESS AREAS

Thank you, Nicolas. I will now review the business areas, with all comparisons at actual rates unless specified.

Let me start with the Jewellery Maisons, which include Buccellati, Cartier and Van Cleef & Arpels, with Vhernier sales being consolidated from October onwards. Sales were up by 8% for the year to 15.3 billion euros.

All regions grew double digits, except Asia Pacific, led by robust direct-to-client sales. The second half experienced faster growth, with a remarkable +14% growth in Q3 followed by +11% in the fourth quarter at constant rates.

The Jewellery Maisons generated an operating result of 4.9 billion euros, up by 4%, or by 6% at constant rates compared to the prior year.

Higher sales, notably in the second half, combined with disciplined operating costs and targeted price increases, helped mitigate the impact of higher raw material costs, particularly gold.

In addition, as Nicolas detailed earlier, we continued to invest in distribution and manufacturing capacity to support the long-term growth of the Maisons.

Operating margin remained solid at close to 32%.

Let's look at the key developments of the year. Sales growth was fuelled by the Maisons' iconic jewellery and watch collections. Those notably included strong performances from the Panthère and Trinity collections at Cartier, the Alhambra and Perlée lines at Van Cleef & Arpels, and Macri at Buccellati. Several novelties were launched across collections, like the Love Medium and Hinge, and Juste un Clou in white gold at Cartier; Frivole Rose Gold and Perlée diamonds at Van Cleef & Arpels; and several Opera Tulle and Blossoms additions at Buccellati.

And complementing our leading Maisons, we are happy to welcome the Italian jewellery Maison Vhernier, which brings its distinctive savoir-faire and innovative design-driven jewellery to the Group. Our High Jewellery collections have continued to showcase their creativity and quality craftsmanship, nurturing desirability through the launch of Nature Sauvage at Cartier and the Ile au Trésor collection at Van Cleef & Arpels.

All Maisons continued to upgrade and expand their store network. Major re-openings at Cartier took place in the Dubai Mall in the UAE, and at South Coast Plaza in the US. New addresses in prime locations included Amsterdam and Madison Avenue in NY for Van Cleef & Arpels, and Seoul Coex and a flagship store in Riyadh for Buccellati.

Let's now turn to Specialist Watchmakers, where sales were down 13% at both constant and actual rates, to 3.3 billion euros.

The overall decline was reflective of the performance in Asia Pacific, SWM's largest region, where sales were 27% lower than the prior year. This was primarily driven by weak demand in China, Hong Kong and Macau combined. Excluding China, Specialist Watchmakers sales were stable at constant rates, and 1% down at actual rates.

The Americas and Japan both showed solid growth, while sales in Europe and the Middle East & Africa were largely stable.

It is worth noting the softer rate of decline in the second half at -9%, mainly owing to double-digit growth in the Americas. This included a fourth quarter at -10% at actual rates and -11% at constant rates, partly impacted by targeted buybacks in Mainland China.

The operating result of the business area declined to 175 million euros.

While the Maisons demonstrated discipline on operating expenses, notably on communication, the decline in sales had a significant deleveraging impact on both production and fixed operating costs. In addition, the continuously strengthening Swiss franc weighed on the operating result, as most of the Maisons' production and headquarters are located in Switzerland.

Overall, the operating margin reached 5.3% for the year.

Specialist Watchmakers Maisons saw a varied performance depending on their individual regional exposure and product mix. A. Lange & Söhne and Vacheron Constantin showed the most resilience over the course of the year.

In a context of fluctuating demand, our Maisons have continued to closely monitor the inventory in the trade and managed to retain an overall balanced sell-in/sell-out ratio of 100%.

The Maisons have remained true to their distinctive DNA, by launching novelties inspired by heritage and fuelled by innovation. An example of this has been the new Historiques 222 timepiece of Vacheron Constantin created in stainless steel, marking the start of its 270th anniversary celebration.
The Specialist Watchmakers continued to improve their distribution network through targeted new points of sale and renovations across regions. To name but a few, IWC opened flagship stores in Paris and New York, and Piaget renovated several stores under their new concept in Asia and the Middle East. At the same time, Panerai optimized its footprint in Asia Pacific, mainly in China with the closure of 4 internal boutiques.

Lastly, targeted efforts were made to elevate client engagement, supported by strong events. Those included the A. Lange & Söhne sponsorship of the Concours d'Elegance, bringing together automobile and watch enthusiasts, and Jaeger-LeCoultre's Precision Pioneer Exhibition, which welcomed visitors to an immersive experience in watchmaking craftsmanship.

Let's move to the 'Other 'business area, comprising the Group's Fashion & Accessories Maisons, Watchfinder & Co, the Group's watch component manufacturing and real estate activities. Sales reached 2.8 billion euros for the year, up 7% at both actual and constant exchange rates, underpinned by faster growth in the second half.

All regions grew, other than Asia Pacific, with notably double-digit performances in the Americas, Europe and Middle East & Africa. All channels saw their sales increase, with online retail growing the most.

Overall, the 'Other' business area reported an operating loss for the year of 102 million euros, resulting in an operating margin of -3.7%.

Excluding targeted inventory provisioning, Fashion & Accessories Maisons posted a -2% operating margin, in line with the first half. The Maisons continued to invest in their desirability and visibility, as well as in an e-commerce solution replatforming, triggered by the YNAP sale process.

Going into the business highlights, I will start with Alaïa, which recorded another year of strong growth, particularly in leather goods, with the success of products such as the Teckel bag and La Ballerine shoes.

Similarly, Peter Millar saw its solid momentum continue.

Overall, ready-to-wear sales rose by double-digits across the Maisons, with an encouraging performance at Chloé. More broadly, the recent collections showed continued designer creativity across product categories, leading to increased desirability.

Gianvito Rossi, our Italian luxury shoemaker, celebrated their first anniversary with us in February with a very encouraging performance.

Watchfinder enjoyed solid growth and continued its collaboration with the other Maisons, with the launch of a certified pre-owned programme with Vacheron Constantin.

Select expansions of the retail network notably included the new flagship stores for Alaïa in Paris rue du Faubourg St Honoré, and for Montblanc in Chengdu. G/Fore opened several new stores, of which one in Los Angeles, while Gianvito Rossi relocated their NY boutique to a prime location on Madison Avenue.

FINANCIALS

Let me now walk you through the rest of the P&L, starting with gross profit. Gross profit rose by 2% in absolute terms to 14.3 billion euros but declined as a percentage of sales by 120 basis points, to 66.9%.

The main impact came from higher production costs, owing to raw material cost increase, notably gold. We also made the decision to proceed with targeted buybacks in mainland China at two Specialist Watchmakers Maisons, as well as stock provisioning in F&A, further impacting the gross margin. These adverse effects were partly mitigated by the positive effects of targeted price increases as well as beneficial channel and product mix.

In addition, unfavourable foreign exchange movements, mainly from the Japanese yen, Chinese renminbi and Swiss franc, amounted to a 35-basis point negative impact. Excluding foreign exchange rates movements, gross margin was down 80 basis points for the year.

Next, let's look at operating expenses, which were 7% higher than the prior year, reflecting our continued investment in the business while being disciplined on costs.

I will now take you through the expenses by category. First, selling and distribution expenses increased by 7% at actual rates, accounting for 26.3% of sales. This was a 90-basis point rise compared to the prior year, mainly due to the network expansion of FY24 and FY25, as well as salary increases.

Communication expenses rose by 4% compared to the prior year. Despite the phasing impact of the annual Watches & Wonders event, communications costs remained stable as a percentage of sales, at 9.8%.

Administrative and other expenses rose by 7% and represented 9.9% of Group sales. The increase was driven by higher salary costs, valuation adjustments on acquisitions, and the impact from a strong Swiss franc. Also included were 72 million euros of non-recurring charges, mainly related to provisions for a legal dispute and impairments of goodwill.

Overall, net operating expenses amounted to 46.0% of Group sales.

This resulted in an operating profit of 4.5 billion euros, down by 7% at actual exchange rates, and by 4% at constant exchange rates. Excluding the 72 million euros of non-recurring charges that I mentioned earlier, in addition to targeted inventory provisioning and buybacks, the underlying operating profit was very robust at 4.6 billion euros, down only 2% at constant exchange rates. It is worth noting that operating profit in H2 was up versus the prior-year period, led by strong performance at the Jewellery Maisons and healthy cost discipline.

Let us now review the rest of the P&L items below the operating profit line, starting with finance costs. Net finance costs improved to 53 million euros for the year, from 178 million euros a year earlier.

This 125-million-euro improvement was the result of two main items that partly offset each other: First, a favourable change in fair value adjustments for 396 million euros, reflecting gains on the Group's investments in externally managed bond and money market funds, and the non-recurrence of the write down of the Farfetch convertible note.

And second, a 258-million-euro negative evolution of the contribution of our FX hedging programme.

Turning now to 'discontinued operations', which consist of YNAP. Sales were down by 13% at actual rates and by 14% at constant rates. The loss for the year, at 1.0 billion euros, largely reflected the 954-million-euro write-down of the carrying value of YNAP assets in the context of the sale to Mytheresa.

This was an improvement compared to the 1.3 billion euros communicated at our first half results, partly reflecting the evolution of Mytheresa's share price since then.

Let me take this opportunity to say a few words on YNAP. As you know, the transaction closed a bit less than a month ago, on April 23.

As agreed in the terms of the transaction: Richemont received a 33% stake in the newly created LuxExperience, corresponding to 49.7 million shares of Mytheresa. YNAP was left with a net cash position of 555 million euros, implying a 426-million-euro cash-out for Richemont. The Group granted a 6-year RCF to YNAP for 100 million euros. FY26 interim results will include the final result on disposal as well as customary post-closing price adjustments, and YNAP will be deconsolidated from the closing date. We truly believe that this transaction will offer an excellent future for YNAP, with LuxExperience set to become one of the leading global, digital luxury platforms.

Returning to our FY25 results, let's review the profit for the year. Profit from continuing operations stood at 3.8 billion euros, down 1% versus the prior year. This included the improvement in net finance costs that I just described, a higher share of equity-accounted contributions and a lower tax impact. The Group's effective tax rate for the year was 16.5%, lower than we had anticipated, mostly driven by non-cash accounting items.

Overall, and after taking into account reduced losses from discontinued operations, profit for the year rose by 17% to 2.8 billion euros.

Cash flow generated from operating activities came in at 4.4 billion euros, down 253 million euros. This 5% decrease mostly reflected the evolution of the operating profit from continuing operations, slightly higher cash taxes and a marginal change in working capital movements, partly mitigated by reduced operating loss from discontinued operations.

Let us now turn to gross capital expenditure, which amounted to 1.2 billion euros, up 16% versus the prior year. The investments in our distribution network represented 41% of gross capital expenditure and were largely dedicated to the upgrade and extension of the internal boutique network. Manufacturing accounted for over a third of our investments, a strong increase versus the prior year with the expansion of our Jewellery Maisons capacity, primarily in France, Switzerland, and Italy.

Other investments, including IT, made up 24% of capex. Overall, capex represented 5% of sales, up from 4.4% in the prior year, mainly due to the increased investments in manufacturing capacity that I have just mentioned.

Let us now review free cash flow. At 2.2 billion euros, free cash flow was 0.6 billion euros lower than the prior year. 40% of the reduction, i.e. 253 million euros, came from the cash flow from operating activities that I described earlier. The remainder mainly came from higher investment in our operations, combining a 153-million-euro increase in capex and 187 million euros for select real estate investments.

Our balance sheet remained solid, with shareholders' equity accounting for 54% of the total.

Net cash amounted to 8.3 billion euros at year end, an increase of 0.8 billion euros over the prior year.

Let me finish with the dividend. The Board has proposed a dividend of 3 Swiss francs per 1 A share or 10 B shares, which represents a 9% increase of the ordinary dividend over the prior year. This will be submitted for shareholders' approval at the Group's Annual General Meeting on 10 September 2025.

Thank you for your attention, and I now hand over to Nicolas for the conclusion.

CONCLUSION

Thank you, Burkhart. Before moving to the Q&A, I would like to summarise the year and share some concluding remarks. As we have just seen, the Group posted a robust performance in FY25, against the backdrop of a complex macroeconomic and geopolitical landscape. We saw remarkable growth at our Jewellery Maisons and in the retail channel, improved sales at our Other activities, while the performance of our Specialist Watchmakers mostly reflected weakness in their largest region. Importantly, we continued to invest in our Maisons' existing and future growth, strengthening our distribution network, expanding our manufacturing assets, and contributing to preserving unique artisan skills.

We also delivered on several strategic fronts for the Group and notably completed the acquisition of Vhernier. We are now working on its integration and development to ensure that its full potential can be realised over time, as we began doing for Gianvito Rossi six months earlier. Furthermore, YNAP has found a new home as part of LuxExperience that will enable the business to thrive and contribute to the creation of a new global leader in digital luxury.

With a now renewed leadership team and governance, and a smooth management transition under way at several of our Maisons, we are equipped to steer the Group through the next phase of its development with talented professionals that retain creativity and innovation at heart.

Of course, we remain vigilant as we face the ongoing global uncertainties, which will require continued agility and discipline. Our history shows that we've always been able to adapt, and the Group has built solid fundamentals to withstand short term uncertainty and create value over the long term. We have leading Maisons, each bringing a distinctive heritage, built on unique craftsmanship and timeless creations fuelled by innovation. Our regional mix is increasingly balanced, and in all our markets we strive to continue to excite our clients every day.

At Richemont, we can count on a long-term view underpinned by a strong balance sheet, the same approach that has led us to increase sales seven-fold over the past 25 years.

Of course, none of this would be possible without our colleagues, valued clients and partners around the world, and I (again) wish to thank them for their continued support.

This concludes our presentation. Thank you.

Alessandra Girolami: We will now open the floor to questions. Please announce your name and your company. I would ask to please limit yourself to 2 questions.

QUESTIONS AND ANSWERS

Alessandra Girolami: Thank you, so we now take questions from the room. Please announce your name and company name. I will ask you to limit yourself, at least at the beginning, to two questions. Thank you.

Edouard Aubin: Yes, hello, bonjour, Edouard Aubin, Morgan Stanley. So, two questions for me, Alessandra, I'll be disciplined. The first thing is, so congratulations on the top-line strengths. I know you don't like to comment about, you know, current trading, but I'm going to have to ask the question. Obviously, very uncertain environment. Some of your peers in the past few days have flagged that, you know, they've seen deteriorating demand in the US among other regions. If you just could give us some colour on the trading you've seen in the environment over the past few weeks. So that's question number one. And then question number two on the price increase, so we've seen, I think, Cartier pass on some price increase this week, and Van Cleef a few days ago. I think some of these price increases were relatively moderate, maybe a touch below anticipated by what were anticipated by investors. Is it a function of you remaining disciplined on these price increases, as you've been over the past few years, or are you seeing some resistance, or anticipating some resistance, given the sort of demand worldwide for luxury? Thank you.

Johann Rupert: I think I'll answer the second one. We've always looked at the residual value of our clients, and tried to protect that, and so we were not greedy in the post-Covid boom period, and I think our resilient results prove today that we are not suffering from a post-greed revenge by our clients. We will obviously monitor the various trade restrictions, but our goal is to continuously keep the value relationship for our clients. It was interesting in the watch auction over the weekend, in Geneva, which is quite a barometer, that our Watch Maisons across the board maintained their value, and in fact exceeded the expectations, where a lot of our competitors had quite precipitous declines. I guess those were speculation watches, which were not part of the natural absorption rate. So, our goal is to continue like we have in the last few years. Obviously, when you have currencies that are too cheap, and then you have a Japanese effect where very many people went to Japan to buy. Now if you then raise the prices, you discriminate against your loyal Japanese clients.

That's very difficult. It's a discipline that we have with universal pricing, but we do have to be sensitive to being loyal to our local clients as well. The luck that we have is, as Bernard Fornas said 10, 15 years ago, that we fly on five engines, and if the one region has got difficulty, there is enough brand equity and desire for our product in other regions. So, it's not necessarily a pure science. A lot of it is judgment as to how to keep our clients happy, but it's not due to insufficient demand, but it's, as you correctly pointed out, thank you, we weren't greedy two or three years ago, and I think our results today reflect that. If I could say to you, I was quite emotional when I went to the V&A to see the Cartier exhibition. I would urge you. It's booked out until October, November, I think, but I'm sure that if you speak to our people, we can arrange special visits for you. If you walk through there, you really understand the power of Cartier, and VCA is very much the same.

It's an emotional experience, plus it differentiates Cartier and Van Cleef from the new Jewellery Maisons, where fashion went into jewellery, making fine articles, but they do not appear at Christie's and Sotheby's at auctions. And if you go to the auctions and you see the pieces that hold their value, it's inevitably Cartier or Van Cleef. Some Winston pieces are there, but, because of the diamond quality that they had and you know that they probably still have. But as for the rest, it's been a few centuries that we've worked at that. Now, when Sophie sadly retired, she, in a prior role, worked for Mr Kanoui and

others, and she sent me a whole bunch of old files, which I found fascinating. Like when we started on a board meeting in 1989, and we were discussing the Cartier Museum, Joe Kanoui asked me, 'Please could I have another €6 million?' because our value of our museum is now €12 million or €18 million, and I said, 'Please, Joe, just carry on.' I mean, I would think it's into the billions today, the value of the museum, but it's not monetary value, it's the value when clients go through and they see the remarkable journey, and the breadth and the width, and they can sense the DNA.

So, it's like being a conductor of an orchestra. You've got to try and get the various players to play towards the same goal, and let's not just say it's purely a science, a lot of it is just intuition. Do we know about the United States of America? President Trump is correct, you can't owe the rest of the world $36 trillion. It's not sustainable, and I would submit that we should all watch the next debt ceiling, that I think is being reached in August, because before then, those and others, there is too much expenditure. And whether you agree with his politics or not, it really is a once-in-a-lifetime president that can say, 'We owe too much.' I think he's going to get about $2.6 trillion from his week-long visit. That's what I hear from my friends in the UAE. It's quite remarkable to go there and get $2.6 trillion of investment, and these investments will occur. So, they also do realise, the people in Treasury, that you cannot trade with paupers.

So, I would say that a lot of the tariffs, etc, can be viewed as transactional, and not cast in stone. And if you really have to play game theory, he would be an opponent that I would not like to play game theory with, because I don't think they know in the morning what they're going to do in the afternoon. It must be very disturbing having an opponent like that, but luckily we've got a strong balance sheet and a strong cash flow, and five engines, so we'll just carry on as before. And you alluded to the transitions that have occurred. I'm particularly proud of the transitions that we've managed here at Richemont. We formed the watch poll when the disasters happened in Hong Kong, and we suddenly found that the total market had been oversupplied, and we took quite draconian measures in those days, bought back watches, hundreds of millions, and cleaned it up. And the watch poll enforced the sell-in-sell-out ratio, because in the past, our colleagues were incentivised on selling in, so people react to incentives. And we changed that to the fact that sell-out ratio must be equivalent to sell-in ratio. So over the years, we've downsized the sales expectations of our sales colleagues, and it's led to a lot more efficiency in the factories, and had we've been in the position where we were in 2016 now, I would have been concerned, but at this stage I'm not concerned. Yes, there are Watch Maisons that are suffering more, who were more reliant upon mainland China, but that's across the industry.

The first movers into China that established the beachhead and were selling well, obviously are disproportionately affected in the downturn. But I have full belief that China will recover when the consumers get a bit more confidence, because unlike the rest of the world, you know, and I think in America the credit card debt is $1.4 trillion at the moment, and a lot of it is getting into default. In China, the consumers have got cash, plus you have the six wallet that's still in effect. That will then rebalance, for instance, some of our Watch Maisons that will start selling more. It's going to come, when? I'm not sure, but I think it's more dependent on the mood. I think the Chinese consumers were scarred by the lockdown, really scarred, and Burkhart and Nicolas, we have evidence that where the lockdown was very stringently enforced, the scars are still deeper, and the propensity to spend is lower.

But in the mayors and the areas where there was a lighter touch, more Sweden-, in greater China there were some mayoral areas that had lighter touch, and there the propensity to spend is coming back quicker than in the areas where they were really truly locked down. But if you look-, it's on YouTube, just do yourselves a favour and look at the Shanghai Motor Show. It's astonishing. They leap-frogged us in

the West in terms of the quality of their vehicles, and now the designs are beautiful, absolutely beautiful. And in 2020, I think 64% of the Chinese market were foreigners. That's down to 32%, and the only place where non-Chinese are still over 30% is in the ICE, in the internal combustion section, with Volkswagen and Toyota, especially Toyota with its hybrids, where they still are players. China is unstoppable, and it will continue to grow economically. They like tech and they like modern things, love tech, and if you're in tech, you have a real opponent.

Please don't go and write this, because that will prompt him, but the luck that we have as of now, they've not managed to enter the luxury goods area with centuries-old Maisons. So, we still have a brand equity there, in comparison to if you're selling an electric vehicle, if you are a BMW or Mercedes and you're trying to sell EVs there, we're in a better position selling luxury goods. It's an aside but, you know, I used to be an investment banker, and I was in tech. We had a big share of Canal+ until I found Russian kids in St Petersburg crack our encryption code at Telepiù, and we would pay €2 billion for the football rights, and a couple of 18-year-old kids would crack our encryption and sell our access cards at the tobacconists on the corner at a tenth to a twentieth of what we charged. So, we paid €2 billion to the Italian Football League, and we immediately lose a billion, so I swore I'm not going to be the holder of intellectual property in zeros and ones, because they're quicker and they're smarter.

You know, Louis Cartier is in the vault. It's not easily disturbed through advances in technology, and I don't know where we're heading with AI. I really have no idea. It scares me to listen to people like Eric Schmidt, because I don't think we as a society are ready, but we've looked at AI on our operations. We're not as vulnerable as some other sectors of the economy, and I didn't know any of this when we started in luxury goods in the late '70s, but it's turned out to be fortuitous, provided we're not greedy, and provided we do not vandalise it by becoming ubiquitous and being everywhere on everything. Stick to our métier and preserve our brand equity. But that's an overall philosophy that also encompasses a pricing strategy. But no, it's not reactive to market conditions. Is that a fair answer?

Luca,

Luca Solca: Thank you very much. Luca Solca from Bernstein.

Johann Rupert: Yes, this is like President Mandela coming and saying to me, 'I'm Nelson Mandela.' We do know you, Luca.

Luca Solca: For the benefit of the whole audience. I know we know each other. Elaborating on what you were just saying about the Chinese and the luck the luxury industry is having, we've seen new entrants in the jewellery business. Laopu Gold has been growing like a weed. Is that more of a flash in the pan, or is it something that we need to worry about in the future? They're seemingly very, very popular, and their IPO has been extremely successful, so that would be my question number one. Maybe my question number two, on the core business, you have now a new CEO at Cartier, I wonder if your approach to Cartier and what Cartier is about to do, is being adjusted in any way, and how, if you could tell us a bit, thank you.

Nicolas Bos: Thank you, Luca. Starting with the first one, I think that's something that we discussed over the last decades, which is the fact that the jewellery market was primarily what we consider a non-branded market, meaning by that that there were very, very strong local resources everywhere in the world, because probably jewellery compared to some other categories is very much anchored into

cultures and traditions. And so that was, and still today is the potential for international brands, that they can take some market share from that non-branded or less-branded market.

Johann Rupert: And taxes, local taxes. In India, people would have access to stones, and then they have masterful craftsmen, and then they have their own jewellery set. So India is an example of a very strong local jewellery market.

Nicolas Bos: And I think that in that context, we believe that it's something very healthy that there is an active market with newcomers, new players, in the different regions and different cultures. And Laopu Gold is a fantastic example of a new Chinese brand that's very much rooted in Chinese culture, and also integrated and understood some of the codes of international luxury, and is developing a very, very unique and differentiated offer. And so to us, it really contributes to building the desirability on the category, and the energy around the category, and of course, it means also that we have to continue to be creative and to develop ways to make all brands desirable. And to what the chairman was mentioning, there was a fantastic Cartier exhibition in Shanghai a few months ago that was extremely successful, same, condensed a bit, as the one at the V&A. This legacy, this history, is something that's extremely appreciated, and this is something that's quite complementary to what a new local brand can offer. And I think that this complementary in the market, at the end of the day, is a blessing, because it makes the market desirable and the category attractive, even to a younger, upcoming clienteles.

Johann Rupert: No, we absolutely respect them and watch them, and I guess, in a way, it's going to be tied to a nationalism and tied to a patriotism, and they have a lot of winds in their favour. However, it's universal. Cartier is universal, and Van Cleef, and they really appeal universally. A lot of our Indian clients wear Indian jewellery at home, and then they keep their Cartier in London, and then they wear their Cartier in London, in New York, etc. But, I mean, if you look at Tutti Frutti, if you look at the maharajas in India, we have a very long history. So, it is exactly as we've discussed in the past as well, it is still a very fragmented market, and people then move towards branded jewellery, especially those with a long DNA. They will all feel there is value, because they look at the auction prices and they see that at Sotheby's, you know, if you look at the Hong Kong auctions, Christie's, there's a very big demand, and it's an investment value proposition, which they appreciate.

Alessandra Girolami: I think there was a second question from Luca on Cartier.

Nicolas Bos: Do you want-,

Johann Rupert: Yes, you can answer on Cartier, even though it's a little bit funny that you are answering on behalf of Cartier.

Nicolas Bos: That's fair. Kind of enjoy that. So, on Cartier, it's a matter of continuity. I mean, we talk a lot about the legacy. I think that the work that has been done, you know, in the past few years, and really a tribute to Cyrille Vigneron and his team for that, was very much to refocus on the historical lines. And we've seen that in jewellery, in watch-making, and high jewellery as well. They've been very successfully relaunching and re-emphasising historical lines like Panthère, like Santos. And Louis Ferla and the team, which remains the Cartier team, and Louis actually is a Cartier veteran in a way, he used to run markets for Cartier in Middle East, in Asia, for a long time, their mission and their purpose is really to continue along the same lines, so making sure that we keep this legacy very alive and active, and at the same time, that they run operations and they take care of the different international markets with a very efficient approach, so really continuity at all levels.

Johann Rupert: Louis is in fact in China at the moment, visiting the northern 30 cities. It's a bit in cold in October to visit, and then he'll, in October, do the 30 southern cities, when you don't want to go north because it's rather cold in October. So, we'll have a full feedback in about two weeks', three weeks' time, and the transition there has been very good. I'm really quite proud of the culture of Richemont, that when we dismantled SWM, that Emmanuel gratefully went to Panerai, and Jérôme asked to go to Jaeger. So, it really says something for our culture that we don't have internecine arguments, and I must say, even if it's in front of him, I'm glad that it took me about 18 months to persuade Nicolas to become the CEO, but thank you, Nicolas.

Alessandra Girolami: Question from Carole.

Carole Madjo: Thank you. Carole Madjo from Barclays. Two questions from me, please. First one, to come back on the Jewellery Maison, I assume that Van Cleef has been growing at a faster pace than Cartier in the past few quarters, and I guess the Alhambra collection was a key part of this growth. Is there a small risk of ubiquity of the Alhambra collection, or is it way too early to talk about this for this product? And then, going forward, which kind of lines would you like to push a bit more at Van Cleef to drive the growth in the upcoming years? That's the first question, and number two, just back on China quickly, I think you talked about having done some buy-backs on the watch industry. I know it's quite difficult to talk about the recovery pace of China, but could we expect more buy-backs on the watch space in H1 as well? Thank you.

Johann Rupert: Do you want me to talk about Van Cleef?

Nicolas Bos: No, I can (talking over each other 28.04).

Johann Rupert: Seeing you talking about Cartier.

Nicolas Bos: No, on Van Cleef, I think there's been, you know, a very, very healthy growth, both at Cartier and Van Cleef, and Buccellati, for that matter, and I think that, of course, they start from different bases, but we see very, very high potential on all the Maisons, and also at a smaller level for the new kid on the block, which is Vhernier. So, very good growth there. Yes, Alhambra is a very important collection for Van Cleef & Arpels. I don't believe it has become ubiquitous. I think I could talk about Alhambra for some time, but I think it's a fantastic collection that was created more than 50 years ago, and that has the potential to develop into a number of very, very exciting versions and very, very different expressions. And we see, actually, the success of that specificity of Alhambra, so it's a better-known collection today than it was 20 years ago, for sure, and it's probably one of the most important jewellery lines in the world, but we feel it's far from having reached its full potential, and we are very also cautious on expanding it.

And there are other lines. Burkhart mentioned them in the presentation, like Perlée, like Frivole, which are becoming significant contributors to the turnover and the success of Van Cleef & Arpels, and of course, we're investing a lot on these lines, the same that at Cartier you have Love, Juste un Clou, Trinity and Grain De Café now and Clash. We feel that this diversity of major lines is very important, it's something that we definitely nurture at Van Cleef & Arpels. Do you want to answer the buy-back, Burkhart?

Johann Rupert: There is still a stress in Alhambra, and I know, because I get phone calls. My wife's birthday is in three weeks' time, and I've been looking for six weeks to buy her this necklace. Then, depending upon who it is, I call Nicolas, I say, 'Please,' then he finds one in New York and he moves it to Miami. So, I know where the stresses are, and they have not over-produced at Alhambra. The key, they've not made it available everywhere to everyone.

Burkhart Grund: Yes, let me just quickly answer the question on the buy-backs. So, they were, overall, let's say, on a group level, not material. In Specialist Watchmakers, they were a bit more material, very targeted to Maisons, I'm not going to name any names here, and they were addressing specific challenges that these Maisons had in one part of the distribution. So, again, it's nothing out of the usual. We always do re-balancing of inventory. We more pointed it out because, obviously, it had an impact on our gross margin, and that is about it. It's not massive across the country, across the watch base inventory buy-back, it's just inventory re-balancing, and actually, that happens quite regularly, but in this specific incidence it had an impact on the gross margin.

Johann Rupert: At our AGM, I asked for discipline by the switch watch industry. Now, we know who the disciplined players are, I can tell you one of them, obviously, Rolex, the other one, Patek Philippe, where not everyone has displayed the same discipline in reducing production, in terms of their total absorption rate, so you do find, in, should I say, the €2 000, €3 000, to €5 000, €6 000 range, you find fierce competition. I would say that's where more of the stresses are.

Nicolas Bos: If I may just add on that, the chairman mentioned the strong effort that was made six, seven years ago to really clean the market on distribution for watches. The fact that we continue at the, of course, lower level, you have to adhere to maintain the quality of the inventory out there, is very important. That requires discipline, and this is also the way we support our wholesale partners, that are very, very important to our watch brands.

Johann Rupert: Supporting wholesale partners, who invest. We don't want them to find excess stock in their markets which inadvertently arrives there.

Alessandra Girolami: Zuzanna?

Zuzanna Pusz: Thank you. My name is Zuzanna Pusz, from UBS. I will stick to two questions. The first one will be on Buccellati. We haven't discussed it much here, but this seems to be the next rising star in the group. Would you be able, maybe, to tell us a little bit more about its performance over the past year? What is the potential of the brand? I don't mean to complain, but there are also lots of waiting lists there. I think Macri takes eighteen months to get a product, other collections up to twelve months, so-,

Johann Rupert: You analysts never surprise me. You either moan about excess stock or that you can't find the stuff.

Zuzanna Pusz: But, that was the consumer speaking, not the analyst.

Johann Rupert: Sorry, who do you think gets all of these calls?

Zuzanna Pusz: So, that's my first question, because I feel like we always talk about Cartier-,

Johann Rupert: Okay, let me answer that. These two gents persuaded me to back them to buy Buccellati, because we had it in round one, but then there was a member of the family that had a shared trademark in Rome. We passed on it. Then they came back, and the trademark had been reunited, etc. It has its profitability three years before target, and it is a wonderful Maison and it's totally different to Cartier, and it's totally different to Van Cleef. A lot of home furnishings, and the most wonderful thing is how nicely we work together with the family. They are a fantastic asset. The only problem there is, somewhere in our security division they've made it impossible to get into the building. It is like entering Fort Knox.

Nicolas Bos: This is good. There is no jewellery there.

Zuzanna Pusz: Thank you, and maybe, my second question, and I don't mean to put anyone in trouble, Burkhart especially-,

Burkhart Grund: Oh, wow, here it comes.

Zuzanna Pusz: And, I'm not asking about the outlook, but you've historically commented that, in a good year we can expect Jewellery Maisons to achieve 35% EBIT margin, in a bad year, you try to maintain it at around 30%. I do know we are not in a good year, but-,

Johann Rupert: Sorry, sorry, that nonsense, I thought, stopped years ago, when Jan du Plessis got here and said, 'Our operating profit is this percentage, and it'll stay there.' I said to him, 'Jan,' plus he bragged about how low our tax rate was, I couldn't believe. I don't think you can blame Burkhart for decisions we make as a group at the SEC, strategic decisions on what-, if you can tell me the gold price in six months' time, you know, I think we're one of the biggest buyers of gold outside of governments, and we don't control that input cost, that-, directly into the bottom line.

Zuzanna Pusz: I guess, not to waste a question, maybe if you could just tell us if there's anything you can do to offset the gold price, because we know you don't want to overdo pricing, which is the right decision, but do you have any other levers to pull? Just so-, you also need to understand, our job, we need to forecast, and it's quite difficult with the gold price, so just to understand if there is anything-,

Johann Rupert: I'm sorry, what about us?

Burkhart Grund: I won't disagree.

Johann Rupert: Our heads of Maisons come and they propose products for the next two to three years, and then we look at the positioning, and we don't know what our opponents are going to do with their gold prices. So, I think it's-, everybody is in the same boat.

Burkhart Grund: I appreciate the thought, but we're actually completely in the same boat. We've always been clear, gold prices we don't know, we cannot guide on anything linked to that, we have exchange rates we don't know. And, yes, I understand that, right now, on top of that, with all the volatility that we're having, that it is very difficult to project out. We see that. There's a very wide range of projections, and we face the same dilemma.

Zuzanna Pusz: Thank you.

Burkhart Grund: But, we have to manage it.

Zuzanna Pusz: Thank you.

Nicolas Bos: The only thing I would maybe add is that we maintain a very, very strong cost discipline, so that we can afford to maintain fair pricing.

Johann Rupert: Well, you're UBS, I can tell you a little personal story. When I started getting grandchildren, I said to my wife, 'I want to leave each of those grandchildren enough to get a college education and a house. So, how much?' and then I bought gold. But, I bought gold through Crédit Suisse, and then about six months-, well I didn't, but people did it for me. And, then, about six months before, three months before, I started saying, 'Maybe I'll move it to the UBS,' which is not a nice thing, to call Crédit Suisse to say, 'Please send the gold to UBS.' Just when it got there, you bought them, so now I'm back with the same people. That's not for reporting, by the way, but-, so, no, but the funny thing is that governments are buying now. I don't know whether you've noticed, it's one of the problems that we in Switzerland have with tariffs. They look for the balance of payments and they see the amount of gold going into the United States, and it comes via Switzerland because it's being smelted. Costco, have you seen how many one-, these little, tiny gold bars Costco is selling? This size, but it's being re-refined, and now it's counted against Switzerland's exports. But, we are one of the biggest buyers, apart from governments.

Alessandra Girolami: Anne-Laure?

Anne-Laure Bismuth: Bonjour, Anne-Laure Bismuth from HSBC. I have two questions, please. The first one is on the US market that has delivered a very strong performance in Q4. So, what is your outlook for the US market this year, in light of the macro-environment? What do you think about the consumer psychology? And, I saw some press article mentioning a bit of a booster pre-price increase in April. Have you seen such an impact? My second question is about the price increase, so, you have mentioned targeted price increase for Jewellery Maisons. Would it be possible to quantify the magnitude of the price increase, and when did that happen? Thank you.

Johann Rupert: We can't give you an answer, because we don't know ourselves. We're in exactly the same position as everybody else, we've got to see how all of this plays out. All of the tariffs and all of the trade friction, I suspect that it is transactional, and that it's not lasting. You know, it started with Milton Friedman, 'Shareholders are the only people that count.' That went through the General Electric model, Mr Welch, and outsourcing. And a lot of production capacity got outsourced. I mean, do you know Britain was one of the biggest steel manufacturers in the world? It's, today-, and Chinese cheaper prices and productivity led to a lot of deflation in the United States. People got better products cheaper. Unfortunately, the move from a production economy to an information and services economy, which it has successfully done, two things happened. One, Covid and supply chain constraints, and distance from supplier, woke up a lot of people. If you ordered a car, an Audi or a Range Rover, or something, you suddenly found out that parts of it were made in Ukraine, electronics, and then this is made in-, because a car manufacturer is really an assembler, and suddenly they woke up to the fact that the supply chain wasn't perfect.

And, then, secondly, obviously, the job losses, because the blue-collar workers in the States did not transition into the service/IT sector. And President Trump spoke for the unemployed and for the middle class. The middle class has suffered in the United States, and I'm not too sure that there are parts of

Europe that are not going to go through the same social fabric being torn. That's before the machine age has really kicked in, and before AI. So, there are going to be exogenous forces that are so big that we can't predict certain years, and then, to talk about pricing and exchange rates three years from now, I mean, the Middle East is becoming one of the AI centres, the UAE. It's United States, China, and parts of Britain, and the UAE. Who would've thought that? So, I think the next decade is going to be very turbulent, huge advances in medicine, huge advances in biology and the biosciences, and there will be disruptions. If you think the whole of the European motor-car industry is in trouble, do you know how many dealerships there are? Most dealerships make most of their money by selling oil. Electric cars don't need the same servicing. We're talking about millions of people whose livelihoods are going to get destroyed. Those are our clients. So, I think there are exogenous forces that make me very loathe to predict. I really long back for the period when I was in my 40s, when I was certain about everything. It was so nice to be certain, basically, when you know nothing. Hey?

Burkhart Grund: It makes it easier.

Johann Rupert: So, I'm sorry if I speak broadly, but I can't tell you what America is going to be in six months' time. And people who tell you that have got a line to the Almighty that I don't have an extension to, because I don't think they know.

Alessandra Girolami: And, you had another question on price increases.

Johann Rupert: Price increases. If I knew, I wouldn't tell you. Obviously, I'm trying to be as straight-, we will not take big price increases that we cannot sustain. If you take big price increases, you're going to have to have a deliberate shortage of goods. Then, you may get away with it pro tempo, but there's a backlash. When people double the prices of the handbags, there's a backlash.

Alessandra Girolami: I think, Patrik, you had a question.

Patrik Schwendimann: Thank you, Alessandra. Patrik Schwendimann, ZKB. You are outperforming the peers not only in the non-branded jewellery, but also in the branded jewellery part. You have a very strong brand equity, obviously, with Cartier and Van Cleef. What else is the secret of your success, maybe, also, to attract your consumers, and what percentage do you have currently with younger consumers? That's my first question, and second question, Johann, you have mentioned maybe twelve years ago that Richemont needs around one million ounces of gold. What is the current volume you need for Richemont?

Johann Rupert: Where do you remember that? I don't remember saying that.

Patrik Schwendimann: Analysts never forget.

Johann Rupert: But, it's about 40 tonnes of gold this year.

Patrik Schwendimann: 40 pounds?

Johann Rupert: Tonnes.

Patrik Schwendimann: Tonnes.

Burkhart Grund: Yes, we're no longer in ounces, we're in tonnes now.

Johann Rupert: That's about $105 million per tonne. That's roughly the number.

Burkhart Grund: Not all of it, though, is used for our own operations.

Johann Rupert: Yes, we do also supply other parties, through Varinor.

Patrik Schwendimann: But, is it getting more important, do you really feel it now, that, also, consumers, they are really buying gold, because it's nice value to keep?

Johann Rupert: I think they buy gold because they don't trust their governments.

Burkhart Grund: And, central banks are buying, so we're competing against central banks.

Johann Rupert: Well, you know, if you look at China, I'm not sure of the exact number, but I think they're getting close to $1 trillion worth of US treasury bonds. You cannot run a balance of payments deficit ad infinitum. So, there'll be a balancing, either the renminbi will depreciate, I don't know. But there's a very famous shipping company, here in Geneva, that I'm a partner with, in the Hirslanden Mediclinic, and I can get the monthly shipping containers shipped out of China. Trust me, it was up massively last year. So, the Chinese trade has not done that. And, look, basically, there's an over-capacity of most industrial goods in the world, whether it's cars, whether it's fridges, whether-, it doesn't matter. As soon as it's industrialised, local governments will support a major-, the mayoral economy, as we heard in Shanghai. The mayors determine where the cars are manufactured, that's why they've got a plethora of cars, cars that you and I have never heard of. Now, there'll be a shake-up, it will be the same as when General Motors mopped up the others. But are they a force? Yes. Do they make brilliant products? Yes. Will there be excess? Yes.

Then, you've got to start worrying what's going to happen to the European car manufacturers, Stellantis, you take them all. Volkswagen Group, huge excess capacity. That's not good for the general economy. You really want what I said to Anton. When the Industrial Revolution started, there were no organised sports beforehand. Men and women worked the fields and worked underground in mines, and they went to church, in England, five times a week. That's a couple of centuries ago. Suddenly, free time came, because you had this new thing called horsepower, not meaning horses, but horsepower, and the steam engine and industry, so they had free time. So they arranged organised sport. Football came, cricket, which turned into baseball. So, first time, mankind had free time and a quality of life. Now, if we're going to project forward, and we go into the machine age, quantum computing, all of AI, what are we going to do? I thought, maybe they'll take cultural travel, like the Chinese are more interested in cultural travel than shopping travel. I think cultured people. That's why Alitalia put in a route to Rome, not to Milan, on the Chinese airlines, because the Chinese wanted to go to Rome. Experiences.

The second thing, and I agree with Anton, probably virtual reality. They'll sit insulated and live in a virtual world, because we're going to have abundance. The key question is, how are we going to share that abundance? I'm a proponent of the universal basic income principle, because I think there are going to be huge amounts of people that are going to become structurally unemployed, and quickly. And combine that with mass migration and you've got a Molotov cocktail. So we, as a society, will have to start thinking, 'How do we look after people that become structurally unemployable?' The funny thing is it's going to be educated people. The hairdresser will have a job, the gardener will have a job. The

actuary or the radiologist-, study eight years, you're a radiologist, in three or four years' time they take a drop of blood, they scan you twice, and they'll give you exactly what's going on with you. We're going to have such disruptions that that bothers me more, and how can that impact on Richemont or anything else? There, I can sleep at night. I don't think we're going to go obsolete. It's a crazy thing, but you asked me why, why do I like the industry? Because, I think there is a resilience to it.

The interesting thing, some of our biggest clients now are tech moguls, who appreciate very complicated watches. Techies, that you would know, you'd know their names. So instead of them wearing the Apple Watch, which you would've thought intuitively, no. So, I've given you-, it's not a million, it's now a bit more.

Alessandra Girolami: Do we have any more questions?

Patrik Schwendimann: And, regarding the Jewellery Maisons, the secret of your success versus the other branded jewellery? Maybe, also, with the younger clientele?

Johann Rupert: I think they're finding out that the business is more difficult than they thought when they bought, your competitors. We are gaining market share against non-branded and branded.

Piral Dadhania: Good morning, Piral Dadhania from RBC. Two from me, please. Could we just talk about the retail-ification of the Specialist Watchmakers division? Obviously, you've been adding stores. The retail mix, I think, has reached around 60% now. With that comes a higher level of operating leverage, or de-leverage, should I say, which has been very visible this year. Is the strategy to continue to drive the retail mix in the spec watch makers division higher, or have you reached a more steady state, shall we say? The second question is just on LuxExperience holding. I think it's 33% that you now have. Could you just let us know what the lock-up is for that holding, and what the long-term strategy is? Thank you.

Johann Rupert: I think we're optimal in terms of the internalisation, because I hate fixed costs, and we have some very good partners now, sale partners, and I'm not sure that we're in a rush to open boutiques. In terms of the lock-up, if, in 2015, the rest of the industry and our competitors had joined us in doing a proper online platform, the results would have been different. I'm not sure that we're not going to get through more Covids. My epidemiologist friends tell me it's inevitable. I still believe that there is a business in online, but maybe it's got to be changed to a subscription model. But that's for them to run. It has a very good CEO.

Alessandra Girolami: Louise, you had a question.

Louise Singlehurst: Thank you. Good morning, everyone, thank you for taking my question too. I'll sit on the other side of the forum next time. Thank you. I'll keep to one question. I wonder, Mr Rupert, in the past, you've sometimes referenced Coco Chanel and 'money is money, and it moves pocket to pocket.' I think, earlier this morning you talked about, you see the Chinese, they absolutely have the cash, and it's more of a sentiment and a confidence point. We've probably spent a bit too much in the West. I suppose, when you're thinking about the longer term and the investment cycle, when is the time to re-accelerate the investment back into China again, for the longer term? Thank you. Actually, I will have a second question, just whilst I've got you, you've been so generous with everybody this morning. Just on the $8 billion of net cash, I can't let go, that's a phenomenal performance, wonderful control. Are we waiting for something bigger down the line, in terms of potential M&A, or is this just keeping your powder dry, and the conservative nature that we've seen historically? Thank you.

Johann Rupert: We could buy off of private equity right now, but it's not our goal.

Louise Singlehurst: Anything of interest?

Johann Rupert: I think we're very well-represented in China. On that, people will talk about the war in Taiwan. As a Chinese friend of mine said to me, the one-child policy, the effects of it are still there. You've got grandparents and parents who have one child. Two, four. How popular will President Xi be if he loses a million one children? You're too young to remember the Vietnam War and how unpopular that was. So it also has a very interesting effect on the psyche of the people. Those princelings are not going to get sent to war, trust me. The grandparents who are still alive, and the parents, are not going to like that. But it's still a six-wallet economy. Without trying to get into too much detail, I am certain that there are scars. Here, we live in Switzerland, it's probably the country with the biggest trust in the state, not the government of the day, but the state, of any society. You do that, you go to the UK, and you ask the average Brit, do they trust the state today, not even discuss the government, probably zero. There are very few countries in the world where-, Nordic countries, probably better, where the citizens trust the state.

It used to be, in China, that you make the money, but they trusted the state. Now, for the first time, since lockdown, there is a little bit of, 'Why did you put us through this?' When that trust returns, I think you'll start seeing people spending more, because they cannot just rely upon capital investment, they have to get their consumption up internally. They're highly intelligent, they know what they have to do. So, I do believe that it will return. They're highly sophisticated. Will they go for extravagant display of ready-to-wear? I doubt it. I think they're more mature now. But I'm not a Chinese expert, it's just, I have friends who are Chinese who are experts, and I'm really just quoting them. But when you leave Shanghai today and you fly to New York, you think you're getting into a third-world country. It's unbelievable, you go down the FDR, you need a four-by-four. It's astonishing. Or you leave Abu Dhabi and you go to London. We've under-invested in infrastructure, woefully, and these things have to balance out. I think that's part of President Trump's drive, I suspect. So are we going to invest more in China? We'll have to, but we'll do so when things pick up. Then, we've got ageing demographics. What will that do? You know what, three or four years ago, everybody complained about lazy balance sheets. Today it gives you a feeling of warmth and comfort. Our bonds now have a, what, 2% positive carry?

Burkhart Grund: Yes, yes. We're going to pay back first tranche of it in March of next year.

Johann Rupert: Yes, so, first tranche, it's already-, it's amazing how quickly it's gone. But, you say that, unsolicited, investment banks have given us lines of credit of, what, 45 billion?

Burkhart Grund: Correct.

Johann Rupert: Sorry?

Burkhart Grund: Correct, yes.

Johann Rupert: There's still too much money floating around.

Alessandra Girolami: Do we have any more questions? Okay, so, I thank you very much for being here and for listening on the webcast, and this now concludes the presentation. Thank you.

Johann Rupert: Yes. I just-, we had two sad deaths in the last week, one who was Azzedine Alaïa's husband, a wonderful man, who suffered for a while, and really, an absolute gentleman, who died in Morocco.

Nicolas Bos: In Germany.

Johann Rupert: In Germany, sorry, he went to Germany, you're right. And, the other one was my late dear friend, now late, who helped us build Panerai, Angelo Bonati, who passed away after six months of really debilitating circumstances. So, just a thought to both of them. Angelo passed away two days ago and he helped build Panerai. On that sad note, if there are no further questions, thank you very much.