

**Richemont SA**

**“Fiscal Year 2009 Interim Results  
Presentation”  
Conference Call**

**November 14<sup>th</sup>, 2008  
9:00 a.m. C.E.T.**

**Moderators:**

Alan Grieve, Director of Corporate Affairs

Richard Lepeu, Group Finance Director

Sophie Cagnard, Head of Investor Relations

Norbert Platt, Chief Executive Officer

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Operator: Good morning. This is Chorus Call Conference operator. Welcome to the Richemont Fiscal Year 2009 Interim Results Presentation. As a reminder, all participants are in listen-only mode and the conference is being recorded.

Once the presentation has finished, Richemont management will take questions from the auditorium only. This call must not be recorded for publication or broadcast.

Should anyone need assistance during the conference call they may signal an operator by pressing \* and 0 on their telephone.

Ladies and Gentlemen, at this time you will be joined into the auditorium in Bellevue. Thank you.

Alan Grieve: Yeah, I think we are ready to start with the internet broadcast. I was just saying to Mr. Platt that there are a lot of familiar faces in the audience today, not just amongst the analyst community, but amongst the staff who have joined us. I know that there are some problems with Air France and other things happening today, so for those of you who have come, thank you very much indeed. And we hope you will find the presentation worthwhile.

Just a few words, presenting today we have Mr. Lepeu, Sophie. Mr. Platt has joined us as well for the question & answer session, and we hope that that will be useful and helpful to you.

Usual comments about the presentation; obviously, there are radio microphones operating and we are on the internet. So, if you have got your phone switched on, it will be helpful if you can switch them off, that is for everybody. And without more ado, I'll hand you over to Richard, who is going to talk about the results and then Sophie who will be talking about the business of the Maisons. Richard.

Richard Lepeu: Thank you Alan, and good morning to you all. Despite the difficult and financial environment, sales grew at 10% or 16% at current currencies, in line with last year. This reflects Richemont's high-end positioning and leadership, extended to the so called emerging clientele. Close to 60% of the increase of Group sales is attributable to them.

Sales grew at double-digit rate in Asia-Pacific and Europe. Trading in Japan remains difficult and has recently slowed down sharply in the US. The operating profit rose by 14%, leading to an operating margin of 22.8%. At constant currencies, all things being equal, the operating profit would

have grown by 36%. This increase reflects strong sales and a tight control over our expenses, despite a lower gross margin related to a very negative Forex environment. Group net profit including the BAT contribution rose by 5% to 864 million Euros. Cash flow from operations amounted to 224 million Euros.

The Luxury Watch Market has enjoyed a remarkable performance in particular the high-end. Sales grew by 27% for watches, with export prices above 3'000 Swiss Francs, that is retailing for more than 6'000 Euros. Such performances were achieved against very challenging currencies and record prices for precious materials. The US Dollar depreciated by 11% versus the Euro, while the average price of gold in euro terms appreciated by 16% over the period.

Here is the P&L of the Luxury Business. Sales grew at 10% in Euro terms. The gross margin rose by 8% and because of good control of our expenses, the operating profit grew by 14% to 639 million Euros. The operating margin further improved to reach 22.8% of sales. This implies a 1.4 times operating leverage ratio.

Europe, Middle East & Africa is by far our main region. This region generated 45% of Group sales. Sales rose by 18% at constant rates, an acceleration over last year. This continued strong performance reflects development in Western Europe where sales rose by 14% at constant rates, underpinned by strong sales of high jewellery and complicated watches to nationals from Eastern Europe, the Middle East and Asia.

For this half year, we estimate that above 50% of sales in this region are made to this group of people. Sales in Russia and in the Middle East continued on a very high note. Altogether,

direct sales in Russia and the Middle East contributed to 7% of Group sales, wide sales from nationals from these two regions are estimated to generate above 20% of Group sales.

Needless to say, since September, growth has slowed significantly, turning negative in October, less 2%, due to poor domestic demand. However, up until now, demand from non-Western Europeans has remained strong.

Asia-Pacific is our second largest region with 26% of Group sales. Sales rose by 30% at constant rates, the fourth year of strong double-digit growth. Growth was solid across most of our Maisons and main markets. In October, sales grew by 12% at constant rates and by 16% in Euros. Sales in Hong Kong and Mainland China grew by 22% and 52% respectively, in line with last year. China is our number 2 market in Asia Pacific after Hong Kong and our sixth market worldwide ahead of Italy. China now generates 6% of Group sales. Our Maisons are extremely well positioned in Mainland China. This year, Cartier is once again been ranked the number one Jewellery brand by the “best of the best” Hurun survey that focuses on the “Preferred brands of China’s richest” and Piaget as the number one Jewellery Watch brand.

Sales in the Americas grew at 9% at constant rates. In Euros though, sales declined by 2% given the 11% depreciation of the Dollar over the period. As anticipated and disclosed, since August, sales growth has slowed down and it turned negative in September and October. Given the financial crisis and volatility of the US Dollar, we have implemented measures to mitigate the impact of slower sales. However, despite the current crisis, we remain confident over the long term prospect of this region.

Sales declined by 7% in Yen and in Euros. As a result Japan's contribution to Richemont sales declined to 11% of sales while the contribution of the Japanese clientele worldwide is expected to be about 13% of Group sales.

One piece of good news is the recent appreciation of the Yen versus the Euro after seven year of continuous deterioration. Therefore, seven years of uninterrupted price increases. Since September 2001, the Yen has depreciated by some 30% against the Euro. Since the lowest point of 169.64 to the Euro on the 20<sup>th</sup> of July this year, the Yen has recouped some 13% against the Euro at the end of September, and some 27% as of this morning. In spite of this breath of fresh air over the short term, we maintain our conservative view on this market given its long term structural issues.

This half year growth was again mostly driven by our Jewellery Maisons and our Specialist Watchmakers. This is all the more remarkable that in a comparative period these two Business segments achieved a strong growth of respectively + 15% and + 24% at constant currencies. As a result these Maisons represented close to 80% of Richemont's sales. This reflects an upgrading of demand towards the higher end of the luxury spectrum.

Looking at the sales breakdown by product line, we note that watches remain the biggest contributor to Group sales, 50%. The 15% growth in watches reflects the strength of nearly all the Watch Maisons and the performance of Cartier, Van Cleef & Arpels and Montblanc in this category of products.

Jewellery was the biggest contributor in sales increase in value, + 119 million Euros. Sales grew at 28%, the fastest growth rate. This reflects the dynamism of Cartier, Van Cleef & Arpels,

Piaget and Montblanc. Leather was up 4%, Cartier and Montblanc did well in this category.

Sales of Writing Instruments declined by 6%, impacted by the reduction in the number of wholesale points of sales and a more difficult trading environment for this category of products. Sales in Other rose by 18%, reflecting mainly the integration of third party watch components manufacturers.

By network, retail sales that only include sales to our internal stores represent 40% of Group Sales; they rose by 18%, faster than wholesale sales. The higher performance of retail versus wholesale reflects buoyant trading at our Cartier, Van Cleef & Arpels, Piaget and Montblanc boutique, as well as some network extension. The Wholesale performance reflects mostly Cartier and the Specialist Watchmakers' trading.

Gross margin rose by 8% to 1 billion 790 million Euros. Van Cleef & Arpels particularly improved its gross margin. As forewarned in May, gross margin has been under pressure and declined by 110 basis points to represent 63.9% of sales. The stronger Swiss Franc, + 2.3%, played against us this first half. Bear in mind that watches represent 50% of Group sales, all being made in Switzerland apart from Lange & Söhne. The weaker US dollar and the related currencies as well as price increases for gemstones and precious metals had also a strong negative impact during the period. Net operating expenses grew by 5%, well below the 10% growth in sales.

Selling and distribution costs, 52% of total Opex, rose by 7% reflecting strong sales and network costs. There were 36 net openings of internal stores between April and September 2008. Communication costs rose by 3% to reach 10.4% of Group sales. For the full year, this ratio will probably be higher

because of the seasonality of our business and the one of course of two SIHH salons. Effectively the last watch salon took place in April '08 and the next one will take place in January '09. In H2 communication costs will be very closely monitored.

Administration costs increased by 4% despite inflationary pressure to represent 9.4% of Group sales. Anticipating a slowdown, we have been cautious with our administration expenses. This performance also reflects the efficiency of our business model by leveraging on our shared service centers at headquarters and in the Regions.

Other income is flat and represent royalties received by Montblanc, Chloé and Dunhill. Richemont continue to benefit from its operating leverage with a rise of 10% in reported sales, operating profit grew 14% to 639 million Euros. The operating margin improved by 80 basis points from 22% in September '07 to 22.8% this September.

Most of our Maisons enjoyed robust growth concerning Richemont's leadership in prestige jewellery and luxury watches. The Jewellery and Watch Maisons improved their profits, in particular Cartier, Van Cleef & Arpels, Piaget and Vacheron Constantin.

The Jewellery Maisons posted the best performance. Sales grew by 18% at constant currencies, 11% at actual rates, reflecting double digit growth both at Cartier, Van Cleef & Arpels despite challenging comparatives, plus 9% reported the prior year. The Jewellery Maisons saw their contribution grow by 22% to 449 million Euros. The contribution margin increased by 288 basis points to 32% of sales. Cartier once again has improved its contribution margin in spite of a tough Japan and adverse

currencies. The operating contribution of Van Cleef & Arpels continues to improve.

Sales at our Specialist Watchmakers increased by 17% at constant currencies, or +12% reported driven by a buoyant watch market. The operating margin contribution rose by 6%, this was 160 basis points below last year, very high level, due to adverse Forex, higher precious metals, material prices and continuing production constraints. The rise in net assets relates primarily to the acquisition of Roger Dubuis. Bottlenecks resulted in a significant increase in work in progress and delays in product launches. The coming product launches should help H2 results, all things being equal.

Montblanc sales rose by 1% reported, or by 5% at constant currencies, led by retail up by 15%. Wholesale was impacted by softer pen sales due to the closure of 1700 point of sales at the end of March 2008.

The operating contribution of the Writing Instrument Maisons decrease by 19% to reach 12% of sales. Montblanc is operating in a price segment more affected by lower disposable income. In addition, its big exposure to the western clientele in the US and in Europe, makes it more vulnerable than other Maisons given the slowdown in spending from this customer group.

At constant rates, Alfred Dunhill sales rose by 2% and declined by 5% in euros. Alfred Dunhill losses amounted to 9 million Euros due to lower sales. Lancel sales declined by 4% at constant rates and by 5% in Euro. Its losses amounted to 6 million Euros. Its exposure to the local French market and the fact that it is still in the transition phase makes it more vulnerable. The good news is that the gross margin continued to improve and that Sumitomo recently became their partner in

Japan. They also recently signed a distribution agreement with Fairton in China.

This segment consistent Chloé primarily, thereafter Shanghai Tang, some non branded component manufacturing activities as well as other ventures. The other businesses saw sales rise by 19%. This growth is due primarily to the impact of acquisitions such as the watch case company Donzé-Baume. The decline of the operating contribution is largely attributable to a lower contribution from Chloé whose sales have significantly slowed down. Sophie.

Sophie Cagnard: Good morning everyone, and thank you Richard. Once again Cartier sales ended the half year with double digit growth. Cartier also improved its contribution margin, both in value and in percentage terms. High end Jewellery and Watches outperformed as did Asia-Pacific, Russia, the Middle East and Europe, the “imported wealth” factor.

Cartier is reaping the benefits of its long term strategy by being a pioneer in Russia, China and the Middle East. Cartier has established itself as the undisputable leader in jewellery and jewellery watches in these emerging markets. The focus on excellent service, whatever the product price has helped to attract a broad range of clientele sale and develop customer loyalty.

By consolidating this image of “King of Jewellers” with stunning creations, both in high jewellery with unique pieces for the Biennale des Antiquaires in Paris and in high jewellery watches with pieces such as the Santos Triple 100 Pavée.

And with a sophisticated commission - communications programme, including refined advertising campaign, selective PR events such as the Polo Cup in Windsor and Gstaad,

exhibitions of the Cartier collection in prestigious museums, this year in Seoul.

Cartier is penetrating the high end segment of complicated watches with the launch later this year of watches bearing the famous, the prestigious Poinçon de Genève considered as the highest accolade for watch collectors.

The new Ballon Bleu and Pasha Seatimer watches continued on a high note with further models enriching the collection. In accessories the Marcello bag is confirmed as a best seller. The half year saw the opening of 10 stores, including the Beijing Parklife and the Seoul Rodeo flagships. Nine openings took place in Asia and one in Russia. The number of watch points of sale stabilized below 1700, despite openings in emerging markets. Overall, a very satisfactory Half Year which underlies a global appeal and dynamism of Cartier.

Sales at Van Cleef & Arpels enjoyed the strongest double digit growth, driven by the success of its high end jewellery collections - Atlantide and Ballet Précieux - and of the continued expansion of the more accessible line Alhambra.

The recently introduced high jewellery collection Jardins and Bijoux Collection Perlée had a promising start. Jewellery watches like Lady Arpels Féerie or the “poetic complication midnight in Paris” had a strong growth, but jewellery watches still represent less than 15% of sales.

Geographically, all areas did extremely well, with China, Macau, Russia and Dubai growing the fastest. Generally speaking, the brand is still underrepresented in many countries, thereby still benefiting from an upside potential including Japan.

The retail network is expanding slowly, mostly in emerging markets and an external store opened in Macau in July. This excellent performance led to further improvement in its contribution margin.

Now Piaget. Piaget had one of the strongest growths in sales. This strong performance led to a big improvement in profitability. The unique Magic Hour and Possession watches outperformed - as did the Limelight Party collection - High Jewellery Collection and the more affordable Possession wedding rings.

Asia, excluding Japan that represents about 50% of sales, enjoyed the fastest growth. Retail outperformed in particular the Hong Kong and Macau stores.

Increase product placements among American film and singing stars is further raising Piaget's visibility while exhibition spaces dedicated to its history in the flagships stores will reinforce Piaget's image as an innovative watchmaker. Initially in Geneva, this exhibition concept will be rolled out in the new Piaget boutique in Canton Road, Hong Kong.

Finally, a few days ago, Piaget won two Awards for excellence from the International Jury of Montres Passion, one for the Magic Hour ladies' watch and the other one for the Altiplano Petite Seconde.

Baume & Mercier: Baume & Mercier sales were once again hampered by component shortages. Latest launches did well; the Classima Executive, Riviera and the new Iléa outperformed targets. The rest of the year will be tough as it operates in a

highly competitive segment and 80% of its sales are made to Westerners.

Jaeger-LeCoultre achieved strong sales in most regions, despite major product shortages. The Master Tourbillon and Master Compressor Diving range did particularly well. The new Reverso Lady Squadra and Master Tourbillon 175<sup>th</sup> Anniversary, however, only reached the stores in September. Likewise for the prize winning Duomètre and Reverso Grande Complication.

Starting this month, two new ad visuals will be launched, one aimed at ladies and the other one underlining its corporate identity to further raise understanding and awareness.

IWC enjoyed the strongest growth among the Specialist Watchmakers. All regions and all lines did very well. Notably even in Vintage Collection. The Party celebrating its 140<sup>th</sup> Anniversary gave IWC a fantastic editorial coverage. IWC continues to build a highly selective network of boutiques, mostly external, with the opening of Dubai and Beverly Hills last month.

At Panerai, sales rose at a strong double digit rate despite continued delays in supply. The strategic Manifattura Collection is confirming success and this season it was enriched with the Radiomir 10 Days in white gold and the Luminor 1950 8 Days Chrono Monopulsante GMT. With two openings this first half, its network rose to seven boutiques worldwide.

At Lange & Söhne, stronger sales in the US were mitigated by softer sales in Europe, its biggest market. In the coming months, Lange & Söhne intend to optimize its product

allocation towards China and the Middle East where it has the most potential in the short term.

Product wise, the Cabaret Tourbillon introduced in May is another technological breakthrough further reinforcing innovative and exclusive positioning of the Maisons.

Vacheron Constantin enjoyed a strong performance across the board except in Japan - less than 4% of sales. It is particularly well positioned in Russia and China. To enhance its position in Haute Horlogerie, Vacheron Constantin has enriched its Métiers d'Art Collection and launched a new segment of Personalized Watches. These Quai de l'île watches can accommodate up to 400 combinations and integrate the Poinçon de Genève movement.

Vacheron Constantin just opened a second Mansion, this time in Shanghai. This investment will reinforce its leadership in high end watches in China. Over 600 square meters, it accommodates a Collector's Salon, with an individual safe service, special order salon, an exhibition area and a service center.

Roger Dubuis: Roger Dubuis, founded in 1995, is our youngest Maison. Its bold and distinctive designs compliment our portfolio while its mastering of Haute Horlogerie reinforces our high end positioning. It enjoys the highest degree of integration, including escapements and spirals.

100% of its movements bear the prestigious Poinçon de Genève. In terms of sales, it is the smallest of our Specialist Watchmakers, but its watches command one of the highest average retail prices.

A fairly small company with a headcount of about 420 people and no subsidiaries outside Switzerland, Roger Dubuis is undergoing an internal reorganization concerning its production and administration under the leadership of an experienced manager coming from Richemont.

Starting in January, we will integrate the wholesale distribution within the Richemont distribution platforms. This will open the way to an international expansion. High levels of back orders for gold watches will also need to be addressed. In parallel, more work to reinforce awareness and visibility will be carried out.

For the brand itself, it should take three years to bring it back to a level of profitability comparable to its peers. However, the Group is already leveraging on Roger Dubuis' manufacturing know how in escapements and high end movements. For example, this acquisition has helped Cartier establish an atelier to manufacture the new collection of Cartier's high end watches bearing the Geneva seal.

Now Montblanc. Reported sales were flat but up a single digit rate at constant rates. Driven by Asia Pacific, with 39% of total sales, retail continues to outperform wholesale. This is due to product mix, the quality of the network, and a reduction in the number of wholesale point of sales. Effectively pen sales were declined, but the diversification product continue to outperform such that their contribution to those sales rose to 50%.

Most launches are happening about now. In particular, the Star Rieussec Collection with prices starting at 20'000 Euros. The first Montblanc watch with a Montblanc movement. Montblanc is continuing its emphasis on women by extending its Fine Jewellery offer with the launch of Dame Blanche Collection

and the development of bejewelled pens with a new Etoile Collection.

Retail wise it opened boutiques in Beijing, Sao Paulo and Dubai. The price positioning and the high exposure to the local Western clientele make it more sensitive to economic slowdown. However, its strong presence in the Asia Pacific, notably China, should have a mitigating effect.

Dunhill: Losses amounted to 9 million euros. Asia Pacific was close to 60% of sales, was up 9% at constant rates. Within this, China grew by 8%, to reach 24% of worldwide sales. As a decline in value of the Shanghai Stock Exchange significantly impacted the wealth of our target customers.

Japan was down 4% in Yen. The recent appointment of Kim Jones as Creative Director will provide a distinctive creative thread across all product categories. This move confirms that Dunhill is committed to becoming the world's premier destination for men's luxury goods.

After the first Homes of Alfred Dunhill in Tokyo last December, London and Shanghai opened in September. Alongside the full range of products, these "homes" offer a number of services including barber and valet services. These homes are essential to enhance the image of Alfred Dunhill globally.

Now Lancel, which reported sales were down 5%. Retail was up, but wholesale was down, impacted by the reduction in the number of wholesale point of sales in France. As a result, 190 basis points improvement in the gross margin, did not prevent a worsening of losses to 6 million Euros. Lancel's repositioning towards ladies bags of high quality and high prices is well

underway, much work has gone into the attractiveness and spread of the bag offer. However, this new positioning has to be better known hence the doubling A&P expenses.

In addition, the fact that 80% of its sales are made in Europe, predominantly with the local clientele likely to weigh on Lancel's performance in the coming months.

The good news for the next fiscal year apart from the improvement in the gross margin and the bag offer, is the signing of a joint venture with Sumitomo in Japan, who was instrumental in the success of some well known leather brands, and with Fairton in China.

This re developed international presence at a low cost for us will better balance revenues and will enable Lancel to take advantage of growing markets.

Finally, Chloé; lower sales overall mask good growth in Asia Pacific and in license products, shoes, eyewear, children's collection and the See by Chloé ready to wear did very well. The Paraty Bag and the Chloé Perfume we launched in February are outperforming targets. The licenced See by Chloé leather goods and shoe line launched this summer is also having an encouraging start.

With the arrival Hannah MacGibbon, Chloé will strengthen its creative direction and strive to be repositioned as a high fashion reference.

In ready to wear, Chloé has to recover its position as a trend leader, and in leather the offer has to be adapted and creativity reinforced.

The shoes offer will be enlarged and harmonized to be more inline with the ready to wear collection. The advertising concept will be revisited and Hannah MacGibbon put forward as Chloé's spokesperson. All the more as she is perceived by the press as being a good of illustration of Chloé's identity.

Given the segment Chloé operates in, the coming months will be challenging. Therefore we are controlling costs, notably freezing retail developments until the sellout recovers strongly. Thank you.

Richard Lepeu: Thank you, Sophie. So let's come back to the financial figures now.

Net finance income: Net finance income fell to 15 million Euros with 32 million Euros of net interest were partly offset by temporary net foreign exchange losses on our hedges. Our funds have been predominately invested in government bond funds since December '07.

The reported tax rate decreased from 18.1% to 17%. Net profit from parent & subsidiaries increased by 11% to 543 million Euros representing 19.4% of Group Sales, up 20 basis points on last year.

Compared to the 268 million Euros of cash-flow of last year, cash-flow from operations declined to 224 million Euros in view of higher working capital requirement. This is due to higher inventories of finished goods and work in progress, largely explained by higher precious material prices and by component shortages.

Overall, our stock rotation rate on gross inventory has gone from 15.8 months in September last year, to 17.9 months of cost of goods sold this September. Depreciation rose by 20 million Euros as a result of higher investments in manufacturing and retail.

Other items declined due to lower charges linked to the unit options and long term incentive schemes. Free cash flow from subsidiaries became negative as a result of higher Capex and the acquisition of Donzé-Baume, 60% of Roger Dubuis and other venture investments. This is reflected in 160 million Euros of net change in subsidiaries and non-current assets.

These investments have not been offset by disposal such as our Egana stake last year. Gross fixed assets rose from 98 million Euros to 128 million Euros, accounting for 4.4% of sales. Net Capex amounted to 122 million Euros, compared with a depreciation level of 75 million Euros. Despite the fact that the biggest part of the cash flow is generated in H2, all pending projects have been reviewed given the economic environment. Only those considered as strategic are being implemented. This postponing of non critical projects will impact fiscal '10 rather than fiscal '09.

By segment, a quarter of the investments were made in the Jewellery Maisons and another quarter in the Specialist Watchmakers. This half year, investments were pretty balanced between retail, manufacturing and others. The most notable retail investments were Cartier's new and extended boutique in Seoul, Beijing, Kowloon, Dubai and Florence. Montblanc new Store in rue de la Paix. Dunhill new Bourdon House in London, and the Dunhill and Vacheron Constantin flagships in Shanghai.

In manufacturing, the most important investments were the extension of Manufacture Val Fleurier, which manufactures in house movements, the extension of the Jaeger-LeCoultre manufacturing facility, and the renovation of the Minerva facility.

The majority of “other” relates to investments in our service platforms in China, the new Montblanc distribution center in Hamburg and in IT investments.

The net cash position increased from 904 million Euros to 927 million Euros. It is composed of 975 million Euros invested in government bonds fund and 564 million Euros of operational debt in Yen, US Dollar and Swiss Francs.

Even after the transfer of 351 million cash to Reinet, on the 20<sup>th</sup> of October, so after the trade close of last year, our Group has a very healthy balance sheet, the strong was - a strength worth nothing in a highly leveraged and unsecure environment.

Richemont’s effective interest amounts to 19.5% of British American Tobacco. For this half year our share results declined by 4% to 320 million Euros. We will equity account for BAT through the 20<sup>th</sup> of October, date of the split.

Net profit contribution from parent & subsidiaries represent 63% of the Group’s net profit. After the contribution from BAT, the Group’s net profit rose by 5% to 864 million Euros. On the 21<sup>st</sup> of October of this year, Richemont became the only multi brand group focused purely on luxury.

The philosophy, strategy and way the Luxury Group is managed, remain unchanged. If anything, there is a stronger focus on cash flow generation and organic growth. The

restructuring has no impact on our future operating profit. Our balance sheet is strong, with a significant amount of cash.

We want to continue building brand equity to ensure sustainable cash flow over the long term in order to create value for our shareholders. We want to consolidate our leadership in prestige jewellery and watches, an area where we still see much potential, despite turbulence.

We are looking to grow primarily organically, but we will contemplate acquisitions should suitable opportunities arise.

For this fiscal we are focusing and allocating comparatively more resources in Asia Pacific, Eastern Europe and the Middle East, where we see most growth potential over the medium term. For instance, this half year, our Maisons have opened 19 internal and external boutiques in Mainland China, bringing the total to 185.

In the Middle East, our regional platform in Dubai has successfully integrated Baume & Mercier, Montblanc, Dunhill and Chloé, while 8 internal and external boutiques were opened in the region.

In parallel we continue to roll out our integrated ERP system, this time in Switzerland. In June '09, products will be shipped directly from our central distribution platform in Fribourg to our points of sale at all our Swiss retailers in addition to all retailers in Benelux, Scandinavia, UK and Ireland. The rest of Europe will follow step by step.

The market increasingly demands in house movements. Our Maisons are therefore extending their manufacturing integration levels. All these initiatives will help us better manage sales and our working capital which is crucial to monitor our cash flow generation. More than ever, our prime objective is generating cash.

Sales in October declined by 2% at constant rates, and rose by 2% in Euros. Over the 10 months to October, sales grew by 12% at constant rates, 9% reported.

The slowdown that we are seeing is likely to persist throughout next year. We hope that our anticipation of this slowdown combined with a much better diversification in terms of brands, geography, and network, will help to mitigate the expected poor performance of the local Western, especially USA and Europe, and Japanese markets.

A significant reduction of growth in sales would put pressure on free cash flow. Despite the strong results in H1, we view the second half of the year and next year as very challenging, hopefully mitigated by better Forex. Therefore, we are implementing measures to contain our working capital, reduce our expenses, and limit our Capex through strategically important investments.

In the long term, we continue to see major growth opportunities, given the strength of our Maisons, the diversity of our clientele, largely untapped markets like India, and our strong balance sheet with a net cash position. Thank you.