Richemont SA

“Fiscal Year 2008

Annual Results Presentation”

May 22nd, 2008

9:00 a.m. C.E.T.

Moderators:

Johann Rupert, Executive Chairman

Norbert Platt, CEO

Richard Lepeu, Group Finance Director

Alan Grieve, Director of Corporate Affairs

Sophie Cagnard, Head of Investor Relations

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Operator: Good morning. This is the Chorus Call Conference operator. Welcome to the "Richemont Fiscal Year 2008 Annual Results Presentation". As a reminder all participants are in listen-only mode and the conference is 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 joining to the auditorium in Geneva. Thank you.

Johann Rupert: Good morning Ladies and Gentlemen. Welcome to those of you joining us on the webcast for the presentation of our Annual Results. I am pleased to announce another good set of results. Superior growth in sales underlines our Maisons' leadership in Luxury Watches, Jewellery and accessories, areas where we continue to outperform a growing industry. Our most important Jewellery Maisons, Montblanc and the Specialist Watchmakers also did well, they all did well.

All regions remained strong with the exception of Japan, although we're seeing yen growth there. Operating margin rose to 21% of sales. This achievement reflects an improvement in the gross margin; contribution operating leverage and strong pricing power in a quite challenging Forex environment. This performance has led to a very strong cash flow from operations. Group net profit including BAT rose 18% to 1.6 billion Euros.

These results reflect the strengths of the Maisons, the quality of the management teams as well as the continued dynamism of the markets we operate in. We are very fortunate that we have a good global footprint so that, should the United States show less resilience than in the past, we will expect to see continued growth in places like China and China-related, Russia, the Middle East and the countries that are benefiting from… whether it be the oil price or exports to the United States.

Again the Luxury Watch Market has enjoyed extraordinary performance. Sales grew by 21% for watches, with export prices above 1'500 Swiss Francs and those retailing for 3'000 Euros or more. Such performances were achieved against the background of challenging currencies and record prices for gemstones and precious metals. And for quite a while we've been deemed, or I was called, Rupert the Bear, because over the past 5, 8, 10 years I've been urging caution and my colleagues know that last May or June I started expressing extreme caution.

Now what's happening now is of course eminently predictable. But I don't think we've always analyzed why it occurred. I mean, ultimately if any asset is wrongly priced it is abused. If you don't charge for water, then people use too much water. And in the late 90s and 2000, access to funds in the IT sector was totally mispriced. So, of course, it's going to get abused.

So, over the last 5 to 8 years, with massive inflows into certain holders, whether they be nascent strategic Wealth Funds or China, those funds were not invested domestically. They were not consumed and they became available to the credit markets. At the same time Pension Funds and Pension Fund Administrators, the curators of the savings, saw a drop in yields. And having been used to what could be viewed in the long-term cycle as very high growth and yields, obviously when you go back to your Pension Fund Trustees and you say to them "The 9 to 12% that we got over the last 3 to 5 years may not be achievable, I think we're going to have to get used to 3% to 6%", the Trustees would say: "Are you crazy?". So, what happens? How do you generate performance? You import leverage. It's the oldest thing in mankind. So of course, leverage got put up on [top of] leverage and then another 'little problem' can enter the system, a major one, which is that the lenders of the funds or the providers of the credit did not assume the credit risk, because it got packaged in all kinds of indecipherable instruments and sold to the great unsuspecting public.

How you can take out a whole bunch of mortgages, euphemistically called subprime and suddenly create a AAA credit out of it boggles the mind, and yet it occurred. But the real problem was that the providers of the credit did not assume the credit risk.

Now I am afraid that I do not agree with some of the commentators who say that we've seen the worst and that things are stabilizing and we are over the worst. I suspect that it is going to take a lot longer. And my view is quite simple.

For us to survive, as we are at this stage, we need China to carry on. We do not need a hiccup in China. We do not need any stupid politician to affect world trade. We do not need populism, "save our jobs", because if world trade is affected we will have serious, serious ramifications. Hopefully, we will have enough time to deleverage the economy. With the Fed, when they lend 25 points basis points over Fed Funds rates to the investment banks, we're currently playing ping-pong in packaging the credits and getting it off their books. Most investment banks would like to deleverage by 50%.

Hopefully, we will be able to deleverage society with 10 years of excess without serious hiccups. But I think it's going to take years. It's not gonna be as quick as some of the people would like us to believe. And I do not think that all the financial institutions have been as forthright about the potential write-offs that they face. I think there is more to come.

So as a background, we will continue to operate cautiously. Our big luck is that we've done the preparation for a downturn and I think it is best exemplified that when we bought LMH 8 years ago, those 3 companies, IWC and Jaeger and Lange & Söhne, were really only operating in 3 countries.

Today, IWC is a global very successful sought after company. Had they stayed in those 3 countries, any economic downturn in Europe would have been a killer blow. So, we’ve got the Maisons, this is - end of this year its Richemont’s 20^{th} year, but it’s a bit embarrassing to talk about 20 years when the companies that are under our stewardship are century’s old.

I mean, we’ve got Vacheron here that was founded before many countries in Europe, Belgium, Italy, a number of countries and of course, founded quite a while before the United States of America. So, I think the companies under our stewardship and guardianship have survived wars, recessions, revolutions and it is up to us to make sure that our successors will also be able to reap the benefits of those products.

We’ve increased the Global Reach of those brands; Norbert was in fact first with Montblanc and Dunhill into China. Cartier is now moving, Vacheron has the highest image of any watch in China, done by independent surveys. Our same store sales growth in China is tracking 50% monthly annual tracking; 50% up.

So we are in a fortunate position that should things become weak in some currency or economic zone, we are relatively well balanced because as Coco Chanel said and if those of you who remember me from the past, I used to quote Coco when she said: “Money is money is money, it’s only the pockets that change.” And this is particularly appropriate in our industry. There is not a destruction of money, it’s moving and I am afraid my concern over the next 5 year is stagflation.

That’s a particular concern of mine, I think the economies may experience stagflation and we are trying to position ourselves for that.

Japan, I am sadly not very bullish about and it’s - I can fight anything, but I cannot fight demographics. Demographics, if you ignore it, the demographics, you will have problems. And the demographics of Japan, in the second largest economy in the World, the demographics is not good. They’ve had no immigration and their population is ageing very - very rapidly with all the strains on savings and on the Health Systems, it unfortunately seems inevitable.

Europe, we are still seeing signs of life, but obviously when we show European sales, those sales include travellers. So, don’t stare yourselves blind at the geographic split. We are seeing a rapid increase in Chinese travelling and as I predicted, Richard, the best favoured destination is France. Remember, I said the Chinese will travel for culture, more than for shopping. And it’s starting to have an effect, a very positive effect.

Now, if we are creative enough to be able to launch attractive products, we will be able to withstand a 1.60 Dollar/Euro level and gold at 922 per ounce. It is not the first time that currencies and precious metals have gone against us. So we’ve learnt to live with it, I said in the press release that pessimists always moan and groan about the positions they are in. Optimists always believe things are going to change. Those are the guys we have in our marketing department, the pessimists we have in our finance department. But Norbert and I and Richard, we have to try and accept what’s going on and plan and act accordingly.

So, I am tired of hearing ‘currency’. Currency is a fact. Yes, the precious metal prices have gone up but that also increases the potential desirability of our products because they understand it’s a store of value. It affects all of us, it affects all of our competitors so, I am not going to moan and groan and talk currencies and constant currencies, it’s a fact of life and it affects everyone.

The key issue is: does your Maison or brand have enough pricing power to pass on the cost? Because if you cannot have the desirability, you will not be able to pass on the costs. Some years ago I had to speak to Daimler Chrysler, in those days Advisory Board, on brand equity and intellectual property. Now if you look at the steel and the glass and the rubber and the leather, in a Volkswagen it’s the same as in a Mercedes Benz or in a BMW.

And their technology is excellent, why are people not prepared to pay the same price for a Volkswagen as they do for a Mercedes Benz? Why they are not prepared to, say, pay the same for a Chevrolet, a Chevy, or a Ford? You better nurture your brand equity.

You better make sure that the pillars of the brand equity are in place. That will translate into pricing power, obviously in the price elasticity, well in the end, you cannot increase prices like the Luxury Goods Companies did in Japan ad infinitum. I will never forget getting there in ’91 and finding out that the [price] difference on the Dunhill brief case, between the Ginza and Jermyn Street, was sufficient to buy a business class round ticket from Tokyo to Heathrow and back on a briefcase, I said: “You guys have lost it, you are out of your mind, you can’t rape the public like that!”

It has changed, the pricing has become better, but it’s not infinite. But if you are better than your competitors, you’ll survive. And remember we tried to have a global pricing model so that we don’t have a lot of grey goods flying around the world. So, it’s more complex than just saying this and that with currency’s moving.

We’re well balanced in terms of geography and in terms of the network, you can have a look on the screen. Although Cartier is strong and Van Cleef is growing rapidly, Van Cleef & Arpels, I remember those of - some of you in the room that I recognize from 4 - 5 years ago - kept on asking me about Van Cleef, Van Cleef, Van Cleef, Van Cleef. And I remember our response was that we’re busy fixing the company and we will allow it to make some losses because we know that if we do things right, it will do well in the future.

It is doing exceptionally well now and it’s grown to be the third largest in terms of - it is now bigger, Van Cleef is now bigger than IWC and it’s bigger than – it’s Cartier, Montblanc and then Van Cleef in the last financial year. Half of our sales, we now make through our successful Specialist Watchmakers, Montblanc and other Maisons.

You can see the geographic breakdown of our sales on the slide. Now I have cautioned you that it’s accurate but it’s not that accurate because of travelling. We estimate that 50% of our sales in Western Europe are made to non Western Europeans, both travellers and residents. Therefore, close to 50% of our global sales are made to third-party nationals from “so called” emerging nations, markets where we see much potential, given the increase and disparity.

For instance India and Brazil, the prices, the taxes, are so astronomically high that these people will buy in another jurisdiction. I don’t know whether the Governments of India or Brazil have studied the Laffer curve but should they study it, they may actually halve their luxury taxes and double the income, because there, we have to carry on making our brands popular in places like Brazil and in India because they travel, they are sophisticated, they have disposable income, they buy in Europe. And increasingly in the United States, in some ways, because they believe the Dollar is low, so you will see some Internet sales by [Ed: to] Europeans in the United States.

Richemont’s strength also is in its unique distribution network: over 50% sales get done with third party retailers, who assume the inventory and staff risks. This ratio has been pretty stable over the years; it lowers our fixed costs and helps smooth sales trends.

One of the key KPIs is the percentage of sales generated by new references. Innovation and appeal: critically important. So what makes the difference in any market? If you innovate with attractive products, you will do better than your peers. You will gain market share and that’s what we aim for.

The other key - is the key requirements of quality of our investments. We have to be productive and create value for our shareholders. I’ve discussed the LMH, I remember how I have got criticized for being a lunatic because I’ve publicly said: “We’ve paid way too much in 2000”, including my Finance Director at that time, Jan du Plessis, told me I am a lunatic. You remember Alan? Had we not bought it, retrospectively, we would have had serious issues.

The same really can be said for Van Cleef & Arpels or our geographic expansion into Russia which was in 2002, which was ahead of our peers. Likewise in China, we take great care that our Maisons are presented in a first class manner, and you will see in capex next year - next year you will see Capex. Why? Because we needed three homes for Dunhill, one in London, one in Tokyo, and one in Shanghai. I am prodding or should I say, Norbert is prodding, Norbert is kicking and I am prodding Cartier to find a suitable temple in Shanghai.

We will make some investments there; we are opening for Vacheron and Alfred Dunhill a unique location in Shanghai later this year, it's Twin Villas, it's two homes. We have 225 workers on site at the moment. 'So the works are due to last 4 months instead of one year in Europe', Sophie wrote. Forget it Sophie: 22 months for me in [private address] to fix the house and I am looking for lawyers. If any of you know good lawyers in London that can sue architects and QS's [Ed: Quantity Surveyors], I am open. So, now we are investing in the retail and production capacity, rest assured that Richard and Norbert are ensuring that growth in net operating expenses will be contained below sales growth and that cash-flow generation remains a priority.

Our objective is to increase the value of the Group over the long-term for our shareholders. Despite bearish equity markets, our shareholders have earned a return on their investment of some 16% IRR, it's been about 16% since we formed the company 20 years ago.

We want to consolidate our leadership in prestige Jewellery & Watches and develop our position in Accessories. These are markets with high potential of growth & margin. We talked earlier about the Swiss Watch Export data, there is still a lot of room for us to grow. Likewise in Jewellery, with Van Cleef & Arpels, Cartier, Piaget and now Montblanc, and tomorrow Chloé and our joint venture with Ralph Lauren.

We do favour internal growth, since we have some of the best Watches, Jewellery and Gifts portfolio in the industry, these Maisons still have great opportunity.

Our portfolio is coherent and well-balanced; we want smaller Maisons like Alfred Dunhill and Van Cleef & Arpels to develop into star brands alongside Cartier, Montblanc and our Specialist Watchmakers. And I am pleased to say that despite Christopher Colfer’s best efforts not to *show* but to *make* a profit in Dunhill this year – I must repeat it, not to *show* but to *make* a profit – he managed to make a 1 million Euro profit and I think that times of me standing here and answering all kinds of questions about Dunhill hopefully will be over as well. And I now hand over to Richard and hand Norbert his book back. Thank you.

Richard Lepeu: Thank you Johann and good morning to you all. So, here is the P and L of the Luxury Business:

- Sales grew at 10% in Euros terms and at 16% at constant currencies. On a like for like basis and constant currencies, retail sales rose by 10%.
- The operating profit grew by 21% to 1 billion and 108 million Euros. The 21% operating margin implies a 2 times operating leverage ratio.

Forex entailed a net mechanical reduction of about 290 million Euros in sales and 73 million Euros in operating profit. Europe, which includes the Middle East, is by far our main region. This region continues to generate 43% of Group sales. Sales rose by 14% at constant rates with an acceleration in the last quarter. This continued strong performance reflects developments in Western Europe where sales rose by 11% as well as strong growth in Russia and in the Middle East.

The appeal of Western Europe as a luxury destination for many third-party nationals from Eastern Europe, the Middle East and Asia drove sales higher. We estimate that around 50% of sales in this region are made with this clientele.

Sales in Russia and the Middle East continued to outperform with growth of respectively 38% and 42% at constant rates. Altogether Russia and the Middle East contributed 6% of Group sales.

Asia-Pacific is our second region with 25% of Group sales. Sales rose by 31%, the third year of strong double-digit growth. Sales in Hong Kong grew by 39%, faster than the 23% of last year, boosted by tourists from mainland China and locals. Sales in mainland China rose by 54% after 55% last year. It is now our number 2 market in Asia, after Hong Kong, and is seventh worldwide after Switzerland and ahead of UK. It generates 5% of Group sales.

For the seventh year running, sales in Americas grew at a double-digit rate at constant rates. In Euro terms, the growth was limited to 3% given the 11% depreciation of the Dollar of the period. Sales at Van Cleef & Arpels, Lange & Söhne and Panerai were particularly noteworthy.

The rate of organic growth remained strong in the last quarter at +16%. However, given the environment as well as the persistent weakness of the US Dollar, we are taking a very cautious view on this market.

Sales rose by 3% in Yen but declined by 4% in Euro for Japan. This is quite an achievement compared to the market and given the 8% depreciation of the Yen versus the Euro. Japan’s contribution to Richemont sales now represents 13% of sales.

At constant currency, the performance of Lange & Söhne, Panerai and Chloé were particularly noteworthy. As expected, Cartier sales were flat in Yen terms. The relatively good news would be the stabilization of the Yen which would end seven years of uninterrupted price increases.

The year’s growth was mainly driven by the Jewellery Maisons and the Specialist Watchmakers. They account for 76% of Group’s sales.

Looking at the sales breakdown per product line, we note that: watches remain the main driver of the total increase in sales value (+292 million Euros) and in percentage terms. The 19% growth in Watches reflects the strengths of all the Watch Maisons combined with the performance of Cartier, Van Cleef & Arpels and Montblanc in this category of products.

Jewellery enjoyed the second highest growth rate. The 16% growth rate reflects success particularly at Van Cleef & Arpels. Leather is up 12%, thanks to positive developments at Cartier, Dunhill and Montblanc.

Writing instruments rose by 4% while sales in “Ready-to-wear and Other” went up by 12%, reflecting integration of watch component manufacturers and a good performance of Ready-to-wear at Dunhill and Chloé.

Johann Rupert So, if we look at Leather Goods [we see] the competition amongst the Maisons because we keep on pointing out to Cartier and Dunhill and Lancel that Montblanc is now the biggest leather goods manufacturer in our Group, which irritates the hell out of them, as you can imagine. So it's also nice to have a little bit of internal competition

Richard Lepeu Retail sales, that represents sales to our directly operated stores, represented 42% of Group's sales. Their performance, +10%, was on par with wholesale. The Retail performance is largely attributable to Cartier, Van Cleef & Arpels, Montblanc, Dunhill and Piaget. The Wholesale performance reflects mostly Cartier, Van Cleef & Arpels and the Specialist Watchmakers' trading.

The similar performance of retail versus wholesale, despite the extensions of the network, is primarily due to strengths of watches which are mainly sold through wholesale.

Gross margin rose by 11% to 3.4 billion Euros. Gross margin rate gained 50 basis points to represent 64.2% of sales. As expected, this is better than last year but below the 65% achieved in H1. This reflects strong pricing power, discipline of our Maisons in a very negative forex environment, and higher precious material prices. The growth was driven by the Specialist Watchmakers and, to a lesser extent, by Leather & Accessories.

Net operating expenses grew by 6%, well below the 10% growth in sales. Selling & Distribution costs, which represent 51% of total Opex, rose by 8%. The rise reflects strong sales and associated network costs.

Communication costs were well controlled by our Maisons rising by a mere 6%. The strong appeal of our products and better sales helped us maintain costs at 11% of Group sales.

For FY09, we anticipate this ratio to increase slightly, partly due to the two SIHH exhibitions to be presented in the same fiscal year because as you know, we will have our next SIHH next January, instead of next April.

Administration costs increased by 4%, reflecting higher inflation rates around the world. They remain at 10% of Group sales. Other income includes higher royalties from Chloé.

As you see, Richemont benefited from its operating leverage. With a rise of 10% in the reported sales, a higher gross margin and well controlled costs; operating profit has grown by 21% to 1 billion and 108 million Euros. The operating margin improved by 190 basis points from 19% to 20.9% this March.

All our major Maisons enjoyed a solid growth confirming Richemont's leadership in Luxury Watches, Jewellery and Pens. All our major Maisons improved their profitability, in particular the Specialist Watchmakers. The contribution of our Specialist Watchmakers and Montblanc rose to 45% of Group's EBIT.

The Jewellery Maisons sales grew by 16% at constant rates and at 9% in Euros, reflecting double-digit organic growth both at Cartier and Van Cleef & Arpels. Despite strong comparatives, Van Cleef & Arpels continues to exceed expectations.

The Jewellery Maisons saw their contribution grow by 15% to 767 million Euros. The contribution margin increased by 147 basis points to 29% of sales in spite of a slow Japan for Cartier.

Van Cleef & Arpels' profitability has continued to improve and is now above 15% of sales.

The watch market continues to be dynamic. In spite of turbulences in financial markets, demand remains strong. Sales rose by 20% at constant rates and by 15% in Euros driven by the success of all Watch Maisons in most regions.

The Specialist Watchmakers enjoyed the biggest improvement in percentage terms among the Group of both operating contribution and operating margin. All the watch brands have improved significantly their contribution, including Baume & Mercier.

Their contribution margin is 451 basis points above last year and represents 34% of Group operating profit. This is a strong achievement considering exchange rates, production constraints and delays in deliveries.

Montblanc performed particularly well across most regions, product lines and channels such that sales rose by 14% at constant rates and by 9% in Euros. This is quite an achievement given the high comparative base of last year marked by the 100 year anniversary and the closure of more than 1'500 points of sale.

The operating contribution of the Writing Instrument Maisons rose by 9% thereby maintaining the contribution margin to 19%. The evolution of the business model entailed higher working capital and investments in production and distribution.

The improving performance of Alfred Dunhill - sustained by Asia-Pacific - was offset by lower sales at Lancel such that this business area saw sales rise by 6% at constant rates and 1% in Euros.

Dunhill reported a small profit. This improvement results from better margins and a tight control of expenses. Lancel moved to higher priced lines, yielded higher margins. However, the decline in sales has led to a loss of 4 million Euros.

This segment consists of Chloé primarily, thereafter Shanghai Tang, some non branded component manufacturing activities as well as other ventures. Other Businesses' sales rose by 13% at constant rates and by 8% in Euros. This increase was largely due to the impact of acquisitions. Chloé sales saw a modest growth compared to the 50% of the previous year which led to some decline in profitability. However, the decline in the operating contribution was largely due to losses resulting from integration costs of the newly acquired businesses, i.e. MGHH, Azzedine Alaïa and Donzé-Baume.

Net finance costs rose by 52% to 47 million Euros as a result of higher deposits, the majority of which are invested in Euro denominated government bond funds. The 82 million Euros of net interests were partly offset by structural debt servicing costs and net foreign exchange losses. The reported tax rate of 16.9% reflects lower corporate tax rates in various jurisdictions.

Net profit from Parent & Subsidiaries went up by 22% to 960 million Euros; representing 18.1% of Group sales compared to 16.4% last year.

Cash flow from operations amounted to 968 million Euros, in line with the prior year.

Depreciation rose by 30 million Euros as a result of higher investment in Swiss watch component manufacturers and continued retail investments.

Other items in both periods include mainly the unit options and long-term incentive scheme charges. 2008 includes the funding of certain retirement benefits obligations.

Our working capital needs have increased while the stock rotation rate on gross inventory has gone from 15.1 months in March last year to 16.4 months of Cost of Goods Sold this March. This is due to higher work in progress, higher precious material prices and some components shortages, while the rotation on finished products has improved.

Free cash flow from Subsidiaries amounted to 441 million Euros or 58% of the free cash inflow. During the period, investments in Roger Dubuis, Azzedine Alaïa and other companies were partially offset by the disposal of our stake in EganaGoldpfeil.

Gross fixed assets rose from 207 million Euros to 271 million Euros, accounting for 5% of sales. They are primarily targeted at growth markets like China and manufacturing needs, especially in the Watch making.

For the year to come, we anticipate gross fixed assets to be somewhat above 6% of sales.

Net Capex amounted to 265 million Euros compared with a depreciation level of 139 million, if we exclude amortization of intangibles. By segment, close to 40% of the investments were made by the Jewellery Maisons and close to 20% by the Specialist Watchmakers.

By nature, some 50% of our investments related to retail. The most notable retail investments during this half year were, Cartier's renovated and extended boutiques in London, Dubai and Ginza, Tokyo; Cartier new stores in mainland China and Moscow at the Gum. Montblanc new flagship store in Shanghai and Dunhill Houses in London, Tokyo and Beijing.

The majority of "Other" relates to investments in our Services Platforms, and in IT hardware and intangibles, in particular in R&D for watches.

In manufacturing, about a quarter of our investments, the most important investments were the extensions of the watch manufacturing facilities of IWC, Jaeger-LeCoultre and Cartier, as well as the Cartier High Jewellery workshop in Paris.

Richemont has a healthy balance sheet. Despite the cash payment of 701 million Euros in ordinary and special dividends at the end of September '07, the Group's net cash position has increased from 1.1 billion to 1.2 billion Euros.

Let's move on to discuss our share of net profit from BAT. Richemont's effective interest now amounts to 19.3% compared to the prior year's average rate of 18.9%. The increase in the effective interest reflects naturally BAT's own buy-back programmes.

At the current share price, Richemont's holding in BAT is valued at close to 10 billion Euros compared with a carrying value of 3 billion.

The 4% weakening of Sterling relative to the Euro had a negative exchange rate impact on the Group's equity-accounted share of BAT's results. However, BAT’s profits are mostly generated in currencies other than the Sterling. Richemont’s share of BAT’s results rose by 13% to 609 million Euros. Overall, the Group received total dividends of 325 million Euros from BAT compared to 280 million Euros last year.

The net profit contribution from Parent & Subsidiaries represents 61% of the Group’s net profit. After the contribution from BAT, the Group’s net profit rose by 18% to 1 billion 570 million Euros.

Thank you for your attention. I now hand over to Norbert.

Norbert Platt: Good morning everybody. These are obviously nice figures which Richard represented, so we should be happy, but should we be content? My Chairman will make sure that we are not too content anyway, but I think it’s very important to realize that allocation of resources in a right way is one of the prime areas where Richemont in the centre has a role.

You have heard from Richard that we plan to slightly increase investments from 5% last year to 6% this year because obviously we need to continue to invest in structures in the Group, IT, Supply chain Management, but also retail network. Our competitors are investing tremendously there, but I will come back to that. Customer service is more and more, important, with the global presence of our brands, specifically the watch brands, customer services are absolute key and of course manufacturing capacities carefully wherever it’s needed.

So, I can tell you I was last week in Jaeger-LeCoultre which has a considerable backlog towards the market. The machines there are put today so close to each other, the German engineers said they don't know whether we would be able to do that in Germany. So, we are expanding the factories wherever it's needed and with a good judgement on the future. Because of course, we realized that the world is not as bullish as it was maybe two years ago. Still, we believe that a long-term potential, and the Chairman has said this, is very good for our industry and we will continue to invest.

In the first half of this year, investment will be done a bit more careful and cautious to make sure that we are not getting this wrong. But as you can see there, overall we have invested 800 million over the last 3 years and we intend to continue.

We have capacity constraints, I mentioned Jaeger-LeCoultre, but they are in other factories specifically, the watch factories as well. We deal with that partially by trading up; that is increasingly targeting the high-end of the market where we see the most potential and where we have a competitive advantage with all our brands which are positioned, almost all, at the very [top] end of the market.

We improve the content of our watches, notably the complexity of movements, and as such, sales are driven more by value than by volume. That implies of course further integration of high-end movements while continuing to outsource the basic movements of course.

In this context, we have done some specific initiatives which I will come to right now. Richemont saw this, as does the industry components, from external manufacturers. All these guys are very often small cottage-type of industry, highly specialized and they have capacity constraints and therefore they are unable to keep up with our requirements.

We are making every effort to further integrate some of these component manufacturers and therefore grow capacity in line with demand. And there are many indications that might be acquisition as we have done that with Donzé-Baume, probably one of the biggest manufacturers of high-end watch cases in the industry, but of course also with internal expansion of such component manufacturing so that we minimize the reliance on outside suppliers and eliminate bottlenecks.

On top of this, we have acquired the movement manufacturing of Roger Dubuis, now called Manufacture Genevoise de Haute Horlogerie, which is producing movement components for Roger Dubuis, having the very prestigious Geneva Hallmark. And we will use this expertise of MGHH to create a new manufacturing facility in Geneva for Cartier, to produce watches bearing the Poinçon de Genève. For those of you who have been very attentive at the SIHH, you have seen the first Cartier watch which came out of that effort which was the high-end Ballon Bleu with the Geneva seal mark.

This strategic acquisition therefore should not only benefit Roger Dubuis, but of course Cartier and, eventually, should help the component manufacturer of Vacheron Constantin if needed in the future because although Vacheron Constantin is growing - the Chairman mentioned its exceptional standing in China - and we have capacity constraints in this factory like in most of the others.

So, the upstream side of the business, we are taking care I said. But however, of course, there is no good product without a very good distribution. I have always said this in the past and it was a major drive in Montblanc which started selling everywhere when I joined Montblanc about a million years ago, we had 6’000 distribution points in Germany alone. Today, Montblanc has 3’500 distribution points worldwide. So distribution is very often neglected but it’s a major point to increase the equity of brands**.**

Our competitors are increasingly opening, not even mega-stores, these are today department stores with 5 floors and they are offering a kind of lifestyle experience which maybe for our hard product Group is not the example per se. But of course, specifically in Asia-Pacific, we have big means “Big stores means big brand”. We have to be aware that we need to look at our own distribution as well, and the Chairman mentioned it, that we are looking actively to increase the presence of our brand Cartier, the physical presence, not by number of stores but by a few exceptional stores which make the Chinese customer understand that Cartier is the leading brand in the Luxury Jewellery Business, and not somebody else.

Johann Rupert: Norbert, if I may just add here. A number of competitors are now opening for the first time for them, new stores and major stores. Having gone through downturns, we know the risks involved in capturing that extra margin, by dramatically increasing your operating gearing when things go wrong. There is a very big, standalone watch company that’s opening mega stores. Now, we find it difficult to fill the 300 square meter store of Cartier for instance, so that customers actually feel that it’s full, and that is with a wide range from Jewellery, Watches, Leather Goods *et cetera*. And obviously Norbert and I are under constant pressure from the heads of the Maisons: they all want to open their own stores as well. It works well when you’re growing, it goes horribly wrong when you’re not growing because you’ve added to your own operating leverage in a dramatic fashion.

So, if at times, you see and you wonder why you did not find an IWC, a Jaeger-LeCoultre, a Lange & Söhne and stores on Madison Avenue and Avenue Montaigne and throughout the world, it's because *we* have been through downturns. And when you have to carry on paying the leases, the real estate owners do not say: "Well, you poor guys, you've had a tough time, we will let you off the hook." It's not in their DNA. Norbert and I have to constantly rein back our colleagues, to ask them to remain cautious.

We will, as Norbert and Richard have pointed out, make some strategic investments. But rest assured, we will err on the side of caution in terms of assuming further fixed costs. The key, that Norbert and Richard helped me with, is to try and change as much fixed costs into variable costs.

So if we do leases the goal will always be to share with the landlord. Yes, if we do incredibly well, give them their share, but the turnover clauses, where it can be negotiated, are preferable to lower fixed, with the potential downside. And Norbert and Richard and I are idem on this, we obviously face constant demands from the heads of the Maisons because everybody would like to have their own store on every major street in every major capital in the world.

And when things go well, obviously the three of us are wrong, when things go well. When things go badly, the shareholders suffer. So I think we act as a bit of a shock absorber. And believe me, half of that proves that my poor CEO's got to face. These phone calls from, I mean, everybody wants a store on every major street in every major city in the world and they have rational reasons why they'll make money and we agree they'll all make money. However, when things go wrong, the landlords still make money and we don't.

Norbert Platt: So, I couldn't agree more of course. That is a careful balance between the brands who still believe that we can grow every year 25% or 12'500% or whatever you want, I wanna make sure you don't take the 25% too serious. And a balanced view to run this company with a view ahead. Sometimes you have to even be tricky, I mean we, most of you have been in Japan. As the Chairman said, we don't believe that big retail shops, retail castles, in Japan are too good of a long-term investment. So on Ginza, we did a trick, the store of Cartier, which didn't look too good compared to the stores on the same corner of the junction of the road, because the others had four or five floors, we just did the whole building with a new façade up to the roof. So, that was less costly than putting five empty floors where you sell as a Jeweller and one floor handbags, if you know what I mean.

The Watch Business, yes, that's one of the issues of course, which we are fighting with, they would like to open stores at every corner. We tell them that this has to be done favourably by involving our trade partners. First of all, as the Chairman said, it's a better balance of fixed costs, but also it involves the trade partners because watch distribution without wholesale partners will not exist, whatever the change in distribution is, will not exist. And that's why we have to be true to our partners, encourage them to do the stores together with us rather than run stores wherever possible.

From the other side, it's not necessarily more stores, it's better stores. I still remember when Montblanc did a store on Madison and on the corner of Madison and 57th Street, and Richard at the time was the CFO of Richemont, I was the head of Montblanc and Richard said: "Jesus Norbert, I cannot sign this thing, so much risk, so much money."

Johann Rupert: And he was right.

Norbert Platt: And he was not, but at the time it looked right! So he said, you better, you better [ask] the Chairman!

Johann Rupert: Sorry, the truth be told, all my real estate colleagues in New York not working with the Group, friends, told me: “Are you out of your mind?” I agreed, hopefully, with Richard. But the only problem, how can I not back a great CEO? So as I turned my eyes away and I said to Richard: “You know, Norbert has been right all along, we really have to back him on this, allow him to do it.” Who owns the building today?

Norbert Platt: A little competitor of ours. But anyway this store today is profitable. It was one of, at the time, it looked like really a big risk. And a couple of months [ago] Montblanc has opened a 600 square meter store in Shanghai. Wow, the store is profitable already. I will come back to this in a minute when I talk about China.

So what I’m trying to say is, yes, we will continue to introduce investments in stores, we will do that carefully. As you can see on the chart there, we have added quite a number of stores, net. We have opened 9 major stores, 6 for Cartier, 2 for Montblanc. And we are going to look although at the quality of the point of sales of the watch brands, and I’m talking now wholesale point of sales. And a stable, we have a stable number but within that stable number of point of sales there is a lot of movement because basically we want less partners for more partnership.

We want less partners for more partnership and we are looking very carefully at the number of partners we work with in good old Europe, where historically most of the watch brands have too many point of sales. In America, we are continually negotiating with the brands to improve the quality, which means less partners but at the same time of course we are opening a new relations in the Far East and the Middle East. So you see like there is no movement but basically there is a lot of quality improvement.

China. When I went to China first time, that was in the mid 90s, a guy who ran Montblanc in Asia said: I just read an article, maybe at the beginning of the 90s even, I just read an article on Parker that they are in China. And you don't know any more who Parker is, and I also have forgotten, but at the time it looked important to Montblanc. I said, "Really? China? Well I don't know. I better look." So I, we went together to China and Jesus, there were these Friendship stores, I said: "Jim are you really sure you wanna go in this?" I mean, you know, there was hardly light in this Friendship store. But, to my very surprise, you know, who was there already? Omega. Nobody else. Nobody else. Omega and some of the lower end brands of the Swatch Group. So we started up and Dunhill started almost in parallel at the time.

Today, China is for Montblanc the number 3 brand, it's growing and my CEO of Montblanc thinks it will in two years be the number 1 brand, which might be a bit too optimistic. But what I am trying to say is, that pioneering pays off. And for Dunhill it's today, the Chairman said it, the number 2 probably changing within a couple of months as the number 1 market.

Cartier was late, but whenever a big elephant is late, once it start marching, it marches. And, you know, it marches because an elephant is very difficult to stop when it marches. So Cartier makes great progress and subsequently, today the engine for growth from our point of view, and you have heard that before in many presentations of course, the so called emerging markets.

China is 5% of our Group sales today, together with Hong Kong, it’s the engine for growth in our region and hence for the world. We have 14 Maisons present, more than 500 employees, offices in Beijing and in Shanghai. Some brands are still late, Lange & Söhne is just entering. I have kicked the CEO of Lange & Söhne quite a lot because so far, the only thing what you could buy in China was Lange & Söhne fakes, and that’s not a very good idea. So we are opening a store in Shanghai in a couple of months to come.

We have established multi-brand service platforms in the direct distribution of our major Maisons. And our distribution of all major brands is fully controlled. We have just internalised our customer service centres in Beijing and Shanghai. And when I saw these centres, which we took over from an agent like two years ago, I told my Richemont CEO, it looks like a bit like Bangladesh here, and we have to change that. So now we have taken that over, we are creating a kind of a school in Shanghai to improve the know-how of watch makers in China. You can get watch makers but of course they don’t have necessarily, the know-how to deal with highly complex…

Johann Rupert: That the people with the know-how are gainfully employed making fakes.

Norbert Platt: Maybe, maybe. So, we are very serious of course to make sure that the customer who buys a Richemont product has not only satisfaction the moment he enjoys buying, but if something goes wrong. We have today 166 boutiques, mostly of course located along the coast. We deal with some 300 point of sales for the Watch boutiques and as I said, we have a fair number of franchised stores for the Watch brands today and that's going to increase. And as we said, that's the favourite model rather than starting own stores. We will, the Chairman said it, open quite an impressive store for Dunhill and for Vacheron Constantin in Shanghai.

2009. The problem with the future is that it is difficult to predict That's what you guys deal all the time with, so you know what I'm talking about. The oil price closed at 140, financial crisis, the Chairman has talked about this. We will have to continue to believe in the long-term and invest intelligently, I said it before.

One of the main strengths of Richemont is a balanced exposure in terms of geography, product type and distribution channel. We are operating in the upper end of the market which is less vulnerable to crisis, I think. We will focus to allocate comparatively more effort and resources of course to Asia-Pacific to Eastern Europe and the Middle-East, where we see the growth potential, short and medium.

We have put a lot of money into our Russian subsidiary to do again the same thing. I mean making sure that the infrastructure is right, that the service level is right, that the people are well trained, that we have the platform in place for further growth. We are opening stores, carefully. We have today in Moscow 10 internal boutiques, for all of our brands. Montblanc opened an external boutique in St Petersburg, Cartier an external one in Baku, in Azerbaijan. Now you will say: "Where the hell is Baku?"

One thing, whenever I talked to Bernard Fornas and specifically of course the Jewellery Maisons, the money is not surprising, the money which is wherever energy is sold, is unbelievable. And places where we didn’t think of 5 years ago, all of a sudden become hot spots for top-end luxury products.

In the Middle East, our regional platform in Dubai has integrated additional Maisons and further internal and external boutiques are opened in the region and in the United Arab Emirates. Again, there, because of the specificities of the market, we very often like to work with partners, with local partners, you need to have connections to the right people to be well positioned in this market.

A new entity has been set up in Turkey, enabling Cartier to open the first internal boutique in Istanbul. And progress has also been made in India, where we have set up structures to open the first internal boutique in New Delhi for Cartier later this year.

We continue to roll-out our integrated Enterprise Resource Planning system smoothly. I like the word smoothly because you never hear about us talking about this thing. And I’m sure you will ask afterwards all the questions, how well it’s doing, what’s it doing? The best thing what you can hear is, *nothing.* Because when a big ship like Richemont starts to introduce one common Enterprise Resource System, that’s quite a revolution.

And it’s very important to harmonize not the IT system per se, but the processes of the brands. The processes of the brands, and the way how we conduct business, the way how we secure risks and the way how we increase efficiency in the machine.

As you know, we introduced the distribution part as a pilot in the US in 2006; you heard nothing. Good news. We have introduced meanwhile this system to the central distribution platform in Switzerland. You heard nothing and you would have heard that if we, so to say, would have had a huge issue because we wouldn’t have been able to supply in the last season prior to Christmas.

And we have introduced this system upstream in the Cartier watch manufacturing. So today, Cartier has total transparency from purchasing watch components to selling watches at retail in the US. And the best thing is, now the brands come back to me and they are very eager and they want to participate. “Why can’t we also have?” Because normally, you know, the good thing is in that system, even that the brands think the Richemont headquarter, whenever they do something centrally it doesn’t, it’s more problem than anything else, that’s part of the system, but they are eager to join.

We will, therefore continue to introduce that system, the next step is a roll-out across Europe. The first European market is going live spring 2009. In parallel, we integrate all our Swiss Watch Maisons, which are to some extent today not yet integrated, and Van Cleef & Arpels which today has a size, but it is very important to bring them into the harmonized process structure.

In Europe, we are still looking at a Central Europe logistic concept, in order to shorten the logistic supply chains, specifically for the Watch but also for the Jewellery Maisons. We have started direct shipments from Swiss central distribution platforms to some smaller countries, Benelux, Scandinavia and now extended that to bigger country UK, and Ireland last summer, and we will roll-out this whole concept through Europe with the aim to have a central stock and not too many stocks in the diverse countries.

All these initiatives will help sales be more pro-active. More than ever, despite all the investments, we are managing the optimism of our Maisons. The Chairman said it before, during the budget process we were almost a bit, well paradoxical because we said: “Guys, be a bit more careful”. Normally it’s the other way round, we say: “Come on you can do a bit better”. Because we want the brands to focus on containing costs. I think we haven’t done too badly in the last few years but that’s an issue, which in uncertain times is key.

The rest will come because we have strong Maisons. And of course, we want to make sure that the brands understand that anytime, anytime, cash and return on net assets is not something only for the Finance guys, it’s something for the Managing Directors and for the whole Managing team of the brands.

So, I guess from a very operative view we are cautiously optimistic for the year, the brands are *very* optimistic but we are *cautiously* optimistic. And now I give over back to my Chairman.

Johann Rupert: Thanks Norbert. Now, sales rose by 24% at constant rates and 8% lower in Euros, you can read it on the screen. It got off to a great start but I wouldn’t extrapolate one month into 12 months. You saw that 12 months rolling start, this is more relevant. Here you can see that sales grew by 17%. Given the strengths of our Maisons, our spread of clientele and very good position in fast growing markets, we are cautiously optimistic for the Group in the near term. Longer term, we still see major growth opportunities.

Our main objective is to increase the value of the Group over the long term. We want the Maisons to survive us all and that would be really silly for Richemont, that's 20 years old, over the next 20 years, to stuff-up companies that are 200 years old. It's not the kind of thing you want to leave on your CV for the next group of managers. Our goal, as stated, which was taken after some careful consideration, it was about four or five years ago, we said we'd like to continue to grow 15% per year in Euros.

Now obviously the yields, the markets, have changed. But to grow 15% dividends and earnings, you need to have a sustainable competitive advantage and the only way that we know how to maintain a sustainable competitive advantage is to grow the brand equity of the various Maisons, because that brand equity will give you, will create, demand and will result in pricing power.

The urge to pick low-hanging fruit is always there. And it's amazing, I did the *Mille Miglia* with my son last weekend and we were driving behind some BMWs and there were lots of Alphas in the race, the cars had to be, the youngest car is 1957, so it's 51 years old and he is 20, 21 years old so 21 the end of year, he said: "Dad, these are the most beautiful cars in front of us, these BMW's. How did they manage to wreck the company that in the 60s nobody wanted a BMW? How is it possible? Look at the 507, look at the beautiful cars. What happened at BMW?" Because when I was his age, all I wanted was an Alpha Romeo. Over in '67-'68 the Giulia Super, that was the dream of every young man, and when *The Graduate* came out, it became the Spider.

And then what happened? Well some management took over BMW in the 70s and today a young person wants a BMW. Sooner or later Alpha will come back, hopefully, as a lover of

Italian cars and of Alpha Romeo, it’s already becoming a hot product in the United States.

But management can mess things up, believe me. And in the Luxury Goods Business the one great advantage is, I don’t lie awake at night worrying about some smart kid somewhere that’s busy figuring out a product or a way of doing business that’s going to wreck our business model. I mean, if you are IBM and suddenly Michael Dell arrives, you’ve got real issues. Real issues, because your business model has just been wrecked.

And in so many businesses today, quite often their intellectual property is in the binary code. You never know what’s going to happen to your business model tomorrow, we were in Pay TV some years ago 8, 9, 10 years ago and I think we are the luckiest individuals ever in the history of the television business. Bob Wright of GE said that I’m the luckiest person ever.

I didn’t know how lucky we were at that stage but when I saw what out-of-work Russian scientists and 14 year old kids were doing, cracking access codes. And Sameh, he is still here somewhere, our IT guru here, when I got here the first time, he said: “Mr. Rupert, I’ve got a special present for you.” I said: “What’s that Sameh?” He said: “I’m giving you an access card that I bought for you over the internet that can do 1024 channels.” I said: “Sameh we’re in the Pay TV business.” He said: “Best of it all, it’s serviced over the internet.” By then we had already decided to get out.

If your business model and your intellectual property is in ones and zeros, you’re going to have issues. So luckily our intellectually property resides in atoms and it’s tougher to wreck somebody's business model. Yes, we have fakes, and we have increasingly sophisticated fakes to contend with, but it's one of those terrible things in the Luxury Goods Business, unless you're faked you're not a success.

So I always go to the fake markets to see which fakes are on sale and I know those are the hot brands. You see, if you're not copied nobody wants your product. And yes, Frederick Mostert and his team and Marc Frisanco are having constant fights on a worldwide basis, but it's one of those things we've got to live with. I like the business and the business model. And it's one of the businesses where your competitors in the Luxury Goods Business, can really not wreck your business. You have got to be stupid enough to wreck it yourself.

And it's happened and the danger sign is always, and you can watch for it, when a manager does not understand the business that he or she is in. And (inaudible) told Maurizio Gucci when he took over, understood that Gucci had become common. And he and Dawn Mello cleaned up the products because they had been picking low-hanging fruit across the world.

The three of us here can double the profits of Richemont over the next two years, like this. All we have to do is start picking low-hanging fruit: lower the quality and make the products more accessible. Our competitors will have some very serious issues, sorry our successors will have some very serious issues with us; that's why the one Committee that we never discuss here, and you have, you'll find a footnote on it in the annual report, is probably the most important committee. And it's the Strategic Products and Communication Committee.

At the end of each year, the head of each Maison and his colleagues must come and present their vision for the Maison to us and to the non executive directors. And then we have to see whether they still remain within what we think is the DNA and what we believe the Maison represents. After that, they present the products, and those products had better fit in with the vision And then they present the communication, how they're going to communicate these products. We then sign off and that evolves into the budget.

And that committee meets very regularly Norbert, myself, Frederick, Jan, my cousin at the back, we sit there from the head office, Alain Dominique Perrin, and then we'll take the current executives and the future executives of the Maisons at that committee. Because we also want to have the future executives have a say, that the current people don't start picking low-hanging fruit and wreck the DNA and the brand equity for the successors. That is costing (inaudible), that is a non-negotiable.

We are prepared to discuss many things but if you want to get fired very quickly we have these two 'career limiting moves', which is the CLM and then we have the career eliminating move which is the CEM. If you want to catch a CEM in this company, pick low-hanging fruit and mess with the DNA of the brand.

We've had hiccups, once or twice, those people are no longer with us, but I think it serves our shareholders well. I think Alan, if you look in Dollar terms with an automatic reinvestment of dividends, if you'd invested in '87-'88 the IRR would just be above 25% in Dollar terms. So, the formula cannot be that stupid. It takes a bit longer, but it's what we know how to do and we will try to continue according to those basic principles.

Yes, there will be hiccups. Yes, I think they could be some serious disturbances. Hopefully I'm wrong, but, and we referred to it in the press release this morning, if and when the split and demerger of the non-Luxury Goods assets take place, should I say 'when' is more probable than 'if', we will maintain enough liquidity and fire power inside Richemont to make sure that if things go badly, and real opportunities present themselves within the Luxury Goods sector, that we do have the fire power to act immediately.

Unfortunately, life is like that, that when you really need fire power, the banks are not there and the funds are gone. When you don't need money you have an avalanche of cash coming your way. So, we will be cautious. We will keep fire power inside Richemont post the demerger, so that if and when opportunities present themselves, then we can act quickly.

Thank you very much for listening to all of us, and we are now very happy to take questions from the floor. There is a Lady with a microphone that can help you.

End of presentation