

# HARRY WINSTON



2009

*Second Quarter Webcast*

Harry Winston Diamond Corporation

For the period ended July 31, 2008

*September 10, 2008*

## Forward-Looking Information

Information in this disclosure that is not current or historical factual information may constitute forward-looking information or statements within the meaning of applicable securities laws. Forward-looking information is based on certain factors and assumptions regarding, among other things, mining, production, construction and exploration activities at the Diavik Diamond Mine, credit market conditions and the ability of the Company to refinance its existing credit facilities, the level of worldwide diamond production and world and US economic conditions. Specifically, in estimating Harry Winston Diamond Corporation's (HWDC) projected share of the Diavik Diamond Mine capital expenditure requirements, HWDC has used an average Canadian/US dollar exchange rate of \$0.99, and has assumed that construction will continue on schedule and without undue disruption with respect to current underground mining construction initiatives. In making statements regarding estimated production at the Diavik Diamond Mine, potential improvements in grade and tonnage at the Diavik Mine, the expected life of the Diavik Diamond Mine, and future mining activity and mine plans, including plans, timelines and targets for construction, mining, development, production and exploration activities at the Diavik Diamond Mine, and future rough diamond sales, HWDC has assumed, among other things, that mining operations and construction and exploration activities will proceed in the ordinary course according to schedule and generally consistent with past results, excepting recent negative grade variations. In making statements regarding expected diamond prices and expectations concerning the diamond industry and expected sales trends in the retail segment, the Company has made assumptions regarding, among other things, world and US economic conditions. While HWDC considers these assumptions to be reasonable based on the information currently available to it, they may prove to be incorrect.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include, among other things, the uncertain nature of mining activities, including risks associated with underground construction and mining operations, risks associated with joint venture operations, risks associated with the remote location of and harsh climate at the Diavik Diamond Mine site, risks associated with regulatory requirements, fluctuations in diamond prices and changes in US and world economic conditions, the risk of fluctuations in the Canadian/US dollar exchange rate, financing and credit market risk, risks relating to the Company's salon expansion strategy and the risks of competition in the luxury jewelry segment. Readers/viewers are cautioned not to place undue importance on forward-looking information, which speaks only as of the date of this disclosure, and should not rely upon this information as of any other date. While HWDC may elect to, it is under no obligation and does not undertake to update or revise any forward-looking information, whether as a result of new information, future events or otherwise at any particular time, except as required by law. Additional information concerning factors that may cause actual results to materially differ from those in such forward-looking statements is contained in the Harry Winston Diamond Corporation's filings with Canadian and United States securities regulatory authorities and can be found at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov) respectively.

## Q2 FY2009 Consolidated Highlights

(US\$) All comparisons to Q2 FY2008

- Sales increased 7% to \$186.1M
- Gross Margin increased 23% to \$112.6M
- Earnings from Operations increased 30% to \$73.4M

## Q2 FY2009 Earnings Per Share

(US\$) All comparisons to Q2 FY2008

- The company posted net earnings of \$49.9M or \$0.81 per share compared to net earnings of \$20.1M or \$0.34 per share in the comparable quarter of the prior year
  - Net earnings increase primarily due to improved operating performance in the mining and retail segments and a net foreign exchange gain of \$5.3M or \$0.09 per share as compared to an \$11.8M net foreign exchange loss or \$0.20 per share in the comparable quarter of the prior year

## Q2 FY2009 Cash Flow from Operations

(US\$) All comparisons to Q2 FY2008

- Cash flow from operations increased 55% to \$46.2M

## Q2 FY2009 Mining Segment – Operational Highlights

- Carats recovered decreased 23% to 1.0M<sup>1</sup>
  - Decreased diamond production a result of the continuing grade variation in the A-154 South pipe, and the initial stripping of low grade A-418 ore mixed with waste overburden material
- Two primary rough diamond sales held in the quarter
- \$50.0M<sup>2</sup> capital expenditure for a small diamond recovery project was approved to make additions and modifications to the processing plant to recover very small diamonds, reflecting the demand for this product. The first recovery of small diamonds is expected in calendar 2010

<sup>1</sup> Represents Harry Winston Diamond Corporation's 40% share of the Diavik Diamond Mine production

<sup>2</sup> Harry Winston estimates its share of the costs of the project to be approximately \$20.0M.

## Q2 FY2009 Mining Segment – Financial Highlights

(US\$) All comparisons to Q2 FY2008

- Sales remained at a consistent level compared to comparable quarter of the prior year at \$105.0M
  - Lower carat production was offset by higher diamond pricing
- Gross margin increased 23% to \$72.6M; gross margin rate expanded to 69.2% from 56.0%
  - Greater proportion of cost attributable to development activity versus production activity
  - \$4.3M insurance settlement relating to an excavator fire that occurred in the fourth quarter of fiscal 2006 at Diavik
- Earnings from operations increased 27% to \$67.5M

## FY2009 Retail Segment – Operational Update

- Costa Mesa, California salon opened in August 2008
  - 1,500 square foot salon
  - Located in the South Coast Plaza shopping center
  - Eighth North American salon bringing worldwide network to 19 salons

## Q2 FY2009 Retail Segment – Financial Highlights

(US\$) All comparisons to Q2 FY2008

- Sales increased 19% to \$81.1M
  - European sales increased 49% to \$31.6M
  - US sales increased 31% to \$29.0M
  - Asian sales decreased 17% to \$20.5M
    - Decrease in Asian sales due to slower sales in Japanese market
- Gross margin increased 23% to \$40.0M; gross margin rate expanded to 49.3% from 47.8%
- Earnings from operations increased 82% to \$5.9M

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*For further information contact:*  
*Kelley Stamm*  
*416.362.2237*  
*[kstamm@harrywinston.com](mailto:kstamm@harrywinston.com)*

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