

PRESS RELEASE

Biel/Bienne, February 9, 2010

SWATCH GROUP: KEY FIGURES 2009

- Group gross sales of CHF 5 421 million, on comparable basis (excluding 2008 divestments of Sokymat and Michel) -6.3% at constant exchange rates and -8.1% in total lower than in the record year 2008.
- Watch segment sales with a decrease at constant rates of -5.5% largely outperform Swiss Watch Federation export sales (-22.3% in 2009), gaining market shares for the Group in practically all price segments and markets.
- Operating profit reaches CHF 903 million or 17.6% on net sales (versus 21.2% in 2008), with a very strong performance in the second half-year (EBIT margin of over 20%) despite currency losses of CHF 105 million versus 2008.
- Net income amounts to CHF 763 million, -8.9% less than in 2008, with 14.8% of net sales exactly the same as in the previous year.
- Substantial equity of CHF 6 billion or 77.6% of total balance sheet (versus 75.3% in the prior year).
- Dividend 2009 proposed: CHF 0.80 per registered share and CHF 4.00 per bearer share.
- At the Annual General Meeting, the Board of Directors will propose reelection of its current members and in addition the election of Jean-Pierre Roth and Georges Nicolas Hayek as new Board members.
- A good start so far in 2010, January sales representing the second-best month of January in the history of the Group, with an excellent outlook for the Group for the rest of this year.

Following publication of sales figures on January 20, 2010, we now present the unaudited Group key figures. This advance information will be followed by the distribution and discussion of the detailed annual report at the press conference scheduled for March 11, 2010.

Group Key Figures

(CHF million)	2009	2008	Change in %		Total
			at constant rates	currency effect	
Gross sales, adjusted¹⁾	5 421	5 900	-6.3%	-1.8%	-8.1%
Gross sales, as disclosed	5 421	5 966	-7.3%	-1.8%	-9.1%
Net sales	5 142	5 677			-9.4%
Operating profit	903	1 202			-24.9%
– in % of net sales	17.6%	21.2%			
Net income	763	838			-8.9%
– in % of net sales	14.8%	14.8%			
Equity	5 981	5 451			+9.7%
– as % of total assets	77.6%	75.3%			
Average return on equity (ROE)	13.3%	15.5%			

¹⁾ excluding 2008 divestments of Sokymat and Michel

Group Overview

In a very challenging year 2009 with a worldwide recession, the Swatch Group recorded gross sales of CHF 5 421 million, a decrease of -6.3% on a comparable basis (at constant exchange rates and excluding 2008 divestments of Sokymat and Michel) compared to the record year 2008. This performance is substantially better than the export figures published by the Swiss Watch Federation (-22.3% in 2009), which means that the Group has once again increased its market shares in practically all price segments and markets. Foreign currencies negatively impacted sales by CHF 105 million or -1.8%, mainly in the second half of 2009. The month of December 2009 showed a very positive sales trend in the watch segment (+28.8% versus December 2008), with clear signs of market normalization.

After a temporary setback in the first half of 2009, the Group's operating margin improved considerably in the second half year and achieved 17.6% (21.2% in 2008) for the full year. The main driving force was the watch segment, with a very convincing operating margin. Taking into account that foreign currencies as well as the gold price, an important raw material for the Group's watches, did not develop in our favor, this represents a very positive achievement. In addition, the Group preserved jobs for its employees, maintained strong marketing activities and kept investment at a very high level.

Net income decreased by 8.9% to CHF 763 million compared to CHF 838 million in the previous year, and, at 14.8%, the net margin remained at the same level as in 2008. The Group's balance sheet is still solid, with an improved equity ratio of 77.6% as at December 31, 2009 compared to 75.3% in the previous year, and also a much higher cash position. The average return on equity was a remarkable 13.3%.

The Board of Directors of the Swatch Group will propose the following dividend for 2009 to the Annual General Meeting on May 12, 2010: CHF 0.80 per registered share and CHF 4.00 per bearer share. Furthermore, besides the planned reelection of the current Board members, Jean-Pierre Roth, former Chairman of the Governing Board of the Swiss National Bank, and Georges Nicolas Hayek, Group CEO, will be proposed for election as additional Board members at the Annual General Meeting.

Watches & Jewelry

(CHF million)	2009	2008	Change in %		Total
			at constant rates	currency effect	
Gross sales					
- Third parties	4 426	4 794			
- Group	3	2			
- Total	4 429	4 796	-5.5%	-2.2%	-7.7%
Net sales	4 187	4 547			-7.9%
Operating profit	804	828			-2.9%
- in % of net sales	19.2%	18.2%			

In 2009, the segment Watches & Jewelry recorded gross sales of CHF 4 429 million, a decrease of only -5.5% at constant rates compared to the record year 2008 (-7.7% in CHF). This sales performance is substantially better than the export figures published by the Swiss Watch Federation, which means that the Group has once again increased its market shares in several price segments. Sales improved strongly in the second half of 2009.

The segment's operating margin improved to 19.2% in 2009 (compared to 18.2% in 2008). This increase, achieved in a difficult year 2009, once again shows the Group's strength and dynamics. The higher margins came mainly from improvements by the important brands. Further efficiency increases in logistics and distribution also contributed to this strong increase in profitability.

In order to encourage the Group's long-term growth, retail activities were further expanded in strategic key locations.

Production

(CHF million)	2009	2008	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	608	659	–7.6%	–0.1%	–7.7%
– Group	881	1 151	–23.5%		–23.5%
– Total	1 489	1 810	–17.6%	–0.1%	–17.7%
Net sales	1 429	1 742			–18.0%
Operating profit	94	281			–66.5%
– in % of net sales	6.6%	16.1%			

The Production segment posted gross sales of CHF 1 489 million in 2009, a decrease of -17.7% versus the strong previous year. This slowdown manifested itself in the second half of 2009.

Segment profitability suffered especially in the second half of 2009, due to lower volumes, a change in product mix and by keeping the cost structure at constant levels. In connection with the clear commitment to preserve jobs for its employees in these difficult economic circumstances, Group management accepted a lower capacity utilization and a temporary decrease of operating margins.

Current order entries picked up in December 2009, which is an encouraging sign for the Production segment mid to long term. The overall improvement in terms of consumer confidence will lead to higher demand, with a certain delay compared to the watch segment. While maintaining the cost structure decreased the short-term profitability, it will pay off in the future. With the anticipated rebound of production volumes, the Group will not be obliged to make further adjustments.

Electronic Systems

(CHF million)	2009	2008	Change in %		Total
			at constant rates	currency effect	
Gross sales, adjusted¹⁾	394	462	–14.5%	–0.2%	–14.7%
Gross sales, as disclosed					
– Third parties	380	505	–24.6%	–0.2%	–24.8%
– Group	14	25	–44.0%		–44.0%
– Total	394	530	–25.5%	–0.2%	–25.7%
Net sales	391	526			–25.7%
Operating profit	24	104			–76.9%
– in % of net sales	6.1%	19.8%			

¹⁾ excluding 2008 divestments of Sokymat and Michel

The market environment for the Electronic Systems segment remained very challenging in 2009. On a comparable basis (at constant rates and excluding previous year divestments of Group companies Sokymat and Michel), segment gross sales decreased by -14.5% to CHF 394 million.

The segment's operating profit reached CHF 24 million in the year under review, which represents an operating margin of 6.1%. In 2008, operating profit included the gains on disposal of Sokymat and Michel amounting to CHF 45 million. In the second half year, the segment's operating margin rose to 10.7%. In early 2010, order entries signal a significantly improving trend in the markets.

Outlook for 2010

The Board of Directors and the Executive Group Management Board are very confident of achieving further organic sales growth and improved margins in 2010. The main reasons for this positive outlook are the excellent start in 2010, increasing order entries as well as the improving economic environment and market confidence worldwide. In addition, the Group's positioning in all market segments and its broad geographical presence represent important success factors in the watch industry. The solid balance sheet and the improved capability to generate cash flow will bring the Group in an even stronger position than before the financial crisis.

Omega's mission as official timekeeper at the Winter Olympics 2010 in Vancouver, starting at the end of this week, is one of many positive factors that will improve sales in 2010. Furthermore, the opening of the Swatch Art Peace Hotel mid 2010, during the World Exhibition in Shanghai, will represent another milestone for the Group. In order to gain further market share and strengthen its worldwide presence, the Group will also take advantage of interesting opportunities in the different markets.

Next publications/events:

11.03.2010	Media conference and publication of the annual report 2009
12.05.2010	Annual General Meeting, Basle
18.08.2010	Publication of 2010 half-year results

Original:	English
Translations:	German, French and Italian

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Consolidated Income Statement (Condensed)

	2009		2008	
	CHF million	%	CHF million	%
Gross sales	5 421	105.4	5 966	105.1
Sales reductions	-279	-5.4	-289	-5.1
Net sales	5 142	100.0	5 677	100.0
Other operating income	104	2.0	231	4.1
Changes in inventories	9	0.2	513	9.0
Operating expenses	-4 132	-80.3	-4 999	-88.0
Depreciation, amortization and impairment charges	-220	-4.3	-220	-3.9
Operating profit	903	17.6	1 202	21.2
Net financial result	46	0.9	-196	-3.5
Result before taxes	949	18.5	1 006	17.7
Income taxes	-186	-3.7	-168	-2.9
Net income	763	14.8	838	14.8
Attributable to equity holders of The Swatch Group Ltd	759		834	
Attributable to non-controlling interests	4		4	

Unaudited figures.

Consolidated Balance Sheet (Condensed)

Assets	31.12.2009		31.12.2008	
	CHF million	%	CHF million	%
Non-current assets	2 292	29.7	2 248	31.1
- Inventories	2 743	35.6	2 738	37.8
- Trade receivables	761	9.9	733	10.1
- Other current assets	1 910	24.8	1 516	21.0
Current assets	5 414	70.3	4 987	68.9
Total assets	7 706	100.0	7 235	100.0
Equity and liabilities	31.12.2009		31.12.2008	
	CHF million	%	CHF million	%
Equity	5 981	77.6	5 451	75.3
- Non-current liabilities	484	6.3	882	12.2
- Current liabilities	1 241	16.1	902	12.5
Total liabilities	1 725	22.4	1 784	24.7
Total equity and liabilities	7 706	100.0	7 235	100.0

Unaudited figures.

Consolidated Statement of Cash Flows (Condensed)

	2009 CHF million	2008 CHF million
Operating activities		
Net income	763	838
Depreciation and impairment charge	220	220
Fair value result/ interests	-33	183
Changes in working capital	0	-502
Taxes	-51	-165
Divestment gain, pensions, provisions and other items	-9	-63
Cash flow from operating activities	890	511
Investing activities		
Investments in non-current assets	-252	-336
Proceeds from sale of non-current assets	6	9
Purchase/sale of marketable securities	25	-160
Investments in subsidiaries and associates	-14	-99
Divestments of businesses and deconsolidations	0	88
Cash flow from investing activities	-235	-498
Financing activities		
Dividends paid	-226	-226
Purchase/sale of treasury shares	1	-360
Change in non-current borrowings	-11	-6
Change in current borrowings	3	15
Repurchase of convertible bonds	-2	-21
Cash flow from financing activities	-235	-598
Net impact of foreign exchange rate differences on cash	-2	-19
Change in cash and cash equivalents	418	-604
Change in cash and cash equivalents		
- At beginning of year	680	1 284
- At end of year	1 098	680
	418	-604

Unaudited figures.

Segment Information

(CHF million)	2009			2008		
	Third	Group	Total	Third	Group	Total
Gross sales						
Watches & Jewelry	4 426	3	4 429	4 794	2	4 796
Production	608	881	1 489	659	1 151	1 810
Electronic Systems	380	14	394	505	25	530
Corporate and elimination	7	-898	-891	8	-1 178	-1 170
Total	5 421	0	5 421	5 966	0	5 966
Net sales						
Watches & Jewelry	4 184	3	4 187	4 545	2	4 547
Production	576	853	1 429	624	1 118	1 742
Electronic Systems	377	14	391	501	25	526
Corporate and elimination	5	-870	-865	7	-1 145	-1 138
Total	5 142	0	5 142	5 677	0	5 677
		% of	% of		% of	% of
Operating profit		sales	Total		sales	Total
Watches & Jewelry	804	19.2%	89.0%	828	18.2%	68.9%
Production	94	6.6%	10.4%	281	16.1%	23.4%
Electronic Systems	24	6.1%	2.7%	104	19.8%	8.6%
Corporate and elimination	-19		-2.1%	-11		-0.9%
Total	903	17.6%	100.0%	1 202	21.2%	100.0%

Unaudited figures.

Statistical Information

	2009		2008	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	110 446 207	119 043 086	111 605 632	120 203 642
Average number of bearer shares outstanding	30 335 000	30 335 000	30 596 542	30 596 542
Key data per registered share (nom. CHF 0.45) in CHF				
Consolidated net income	2.89	2.85	3.15	3.10
Cash flow from operating activities	3.40	3.29	1.93	1.87
Consolidated shareholders' equity	22.74	22.05	20.55	19.90
Dividend	0.80 ¹⁾	0.80 ¹⁾	0.85	0.85
Price/earnings ratio	17.1	17.3	9.0	9.2
Key data per bearer share (nom. CHF 2.25) in CHF				
Consolidated net income	14.47	14.26	15.75	15.51
Cash flow from operating activities	17.01	16.45	9.67	9.36
Consolidated shareholders' equity	113.85	110.12	102.73	99.49
Dividend	4.00 ¹⁾	4.00 ¹⁾	4.25	4.25
Price/earnings ratio	18.1	18.4	9.3	9.4
Share capital in CHF	125 210 250	125 210 250	125 210 250	125 210 250

¹⁾ Board of Directors' proposal

Unaudited figures.