

PRESS RELEASE

Biel/Bienne, 8 February 2011

## SWATCH GROUP: KEY FIGURES 2010

- Record gross sales of CHF 6 440 million despite negative currency effects of CHF 164 million or -3% versus 2009 (CHF 285 million or -4.7% versus 2008; CHF 596 million or -10% versus 2007).
- Record operating profit of CHF 1 436 million, with an operating margin of 23.5% (versus 17.6% in 2009).
- Net income of CHF 1 080 million, representing an increase of 41.5% on 2009 and of 6.4% on the record year of 2007, despite currency losses.
- Substantial equity of CHF 7.1 billion or 82.4% of total balance sheet (versus 77.6% in 2009).
- Proposed dividend increase of 25%, CHF 5.00 per bearer share (2009: CHF 4.00) and CHF 1.00 per registered share (2009: CHF 0.80).
- Promising start to 2011; prospects remain good for the year as a whole, despite the current strength of the Swiss Franc.

Following publication of sales figures on 19 January 2011, we now present the 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 10 March 2011.

### Group Key Figures

(CHF million)	2010	2009	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>	<b>6 440</b>	5 421	+21.8%	-3.0%	+18.8%
<b>Net sales</b>	<b>6 108</b>	5 142			+18.8%
<b>Operating profit</b>	<b>1 436</b>	903			+59.0%
– in % of net sales	<b>23.5%</b>	17.6%			
<b>Net income</b>	<b>1 080</b>	763			+41.5%
– in % of net sales	<b>17.7%</b>	14.8%			
<b>Equity</b>	<b>7 101</b>	5 981			+18.7%
– as % of total assets	<b>82.4%</b>	77.6%			
<b>Average return on equity (ROE)</b>	<b>16.5%</b>	13.3%			

## Group Overview

During 2010 the Swatch Group set new benchmarks and surpassed all previous records. With an improving economic environment and clear signs of market normalization, gross sales increased by 21.8% to CHF 6 440 million on a currency-adjusted basis. Foreign currencies had an adverse impact on sales of CHF 164 million or -3%, primarily due to the weakness of the Euro and US Dollar during the second half of 2010.

The operating margin rose from 17.6% to a strong 23.5% in the year under review, which corresponds to a record operating profit of CHF 1 436 million (CHF 903 million in 2009). This significant improvement in performance was due not least to generally higher capacity utilization and the Group's usual cost discipline. Despite significant currency losses, net income also rose to a record level of CHF 1 080 million, an increase of 41.5% on 2009.

With equity of CHF 7 101 million, and an equity ratio of 82.4%, the Swatch Group remains extremely solidly financed. In addition to net income, the conversion of the convertible bond in October 2010 totaling CHF 385 million also contributed to this renewed increase in equity. The average return on equity was a considerable 16.5% (13.3% in 2009). Operating cash flow has also increased significantly. The Group can draw on high cash reserves, thus keeping all options open. As a result of the expansion of production capacities as well as the expansion in the retail sector, Swatch Group created 1 600 new jobs during the past year, increasing its number of employees to more than 25 000 worldwide.

The Board of Directors of the Swatch Group will propose the following dividend for 2010 to the Annual General Meeting on 31 May 2011: CHF 5.00 per bearer share and CHF 1.00 per registered share. This increase in the dividend payment to shareholders of 25% versus 2009 is a result of the record results achieved in 2010 and underlines the optimistic outlook for business performance going forward in 2011.

## Watches & Jewelry

(CHF million)	2010	2009	Change in %			2009
			at constant rates	currency effect	Total	
		restated *				as reported
<b>Gross sales</b>						
– Third parties	<b>5 528</b>	4 440				4 426
– Group	<b>4</b>	4				3
– Total	<b>5 532</b>	4 444	+28.1%	–3.6%	+24.5%	4 429
<b>Net sales</b>	<b>5 225</b>	4 202			+24.3%	4 187
<b>Operating profit</b>	<b>1 221</b>	802			+52.2%	804
– in % of net sales	<b>23.4%</b>	19.1%				19.2%

\* restated following integration of Piguet activities (Production segment) into Manufacture Blancpain (Segment Watches & Jewelry)

The Swatch Group delivered another impressive performance in its core Watches and Jewelry segment in the 2010 financial year. Gross sales reached CHF 5 532 million, which at constant exchange rates represents an increase of 28.1% over 2009 and 20.7% over the previous record year of 2008. This performance is again better than the export figures published by the Swiss Watch Federation for 2010. The significant double-digit growth rates were not only achieved for the luxury brands, but across the board in all price segments. All geographic regions contributed to this growth, with Asia clearly leading the way.

The segment's operating profit increased by an above-average 52.2% to CHF 1 221 million, corresponding to an operating margin of 23.4% (versus 19.1% in 2009). In addition the volume effect, selective price adjustments and various efficiency enhancements were responsible for these margin improvements. However, no cost cutting was made at the expense of marketing activities. These targeted investments in the brands, together with the further expansion of retail activities, will secure the Group's long-term growth.

## Production

(CHF million)	2010	2009	Change in %		Total	2009 as reported
			at constant rates	currency effect		
		restated *				
<b>Gross sales</b>						
– Third parties	488	594				608
– Group	1 051	838				881
– Total	1 539	1 432	+7.8%	–0.3%	+7.5%	1 489
<b>Net sales</b>	1 487	1 373			+8.3%	1 429
<b>Operating profit</b>	169	96			+76.0%	94
– in % of net sales	11.4%	7.0%				6.6%

\* restated following integration of Piguët activities (Production segment) into Manufacture Blancpain (Segment Watches & Jewelry)

The Production segment generated gross sales of CHF 1 539 million in 2010, an increase of 7.5% versus 2009. The extremely strong growth in the watch segment impacted positively on orders received and sales in the production segment with the usual time lag. This boosted capacity utilization to a greater extent and faster than expected, which in turn led to bottlenecks in certain areas. The Group's clear commitment to preserving jobs worldwide during the financial crisis proved to be very positive, given this strong upturn.

The higher volumes also had a positive effect on the segment's profitability. Operating profit increased by 76% to CHF 169 million, corresponding to an operating margin of 11.4% (versus 7% in 2009). Increased costs for various raw materials prevented an even better performance.

The largely full order books signal further double-digit growth for 2011. Further investments will also be made in order to ensure sufficient production capacities over the mid to long term. Examples of this are the planned new production sites in Boncourt (Canton Jura) and the expansion of production facilities in La Chaux-de-Fonds (Canton Neuchâtel).

## Electronic Systems

(CHF million)	2010	2009	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>					
– Third parties	416	380			
– Group	24	14			
– Total	440	394	+12.2%	–0.5%	+11.7%
<b>Net sales</b>	436	391			+11.5%
<b>Operating profit</b>	57	24			+137.5%
– in % of net sales	13.1%	6.1%			

The market environment for the electronic systems segment improved during 2010 in the wake of the general economic recovery. The segment's gross sales rose to CHF 440 million, +11.7% versus 2009. With the divestment of the stepping motor manufacturing unit of Microcomponents and the sale of its subsidiary Lasag, the Swatch Group continued its strategy of focusing on core business.

The segment's operating profit reached CHF 57 million in the year under review, which represents an operating margin of 13.1% (versus 6.1% in 2009). The order entries registered at the end of 2010 and the beginning of 2011 mean that further growth can also be expected in the electronic systems segment.

## Outlook for 2011

The strong uptrend seen in 2010 was confirmed again in January 2011. The current outlook for 2011 appears positive, despite the unfavorable currency constellation at present, particularly the US Dollar and the Euro against the Swiss Franc. The Board of Directors and Executive Group Management Board of the Swatch Group will continue to pursue a clear and healthy organic growth strategy in this very positive environment, with the objective of achieving sales of ten billion Swiss Francs in the medium term.

Thanks to very motivated employees, the strong geographic presence of the brands in all of the world's major markets and its comprehensive coverage of all market price segments, the Group is optimally placed to achieve this goal. In addition, further investments in research and development will generate innovations and products, which can be introduced to the public on an ongoing basis, some as soon as this year's trade fair in Basel. To ensure the continuation of the Group's sustainable growth, further targeted investments will be made in the already comprehensive and efficient distribution network and, as already mentioned, in the expansion of production capacities. Thanks to its very solid starting point as regards equity and liquidity, the Group will be able to exploit interesting opportunities to increase its market share and presence.

## Next publications/events:

<b>10.03.2011</b>	Publication of the annual report 2010 Press and analyst conference
<b>31.05.2011</b>	Annual General Meeting, Basle
<b>11.08.2011</b>	Publication of 2011 half-year results

Original:	German
Translations:	English, French and Italian

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## Consolidated Income Statement (Condensed)

	2010		2009	
	CHF million	%	CHF million	%
Gross sales	6 440	105.4	5 421	105.4
Sales reductions	-332	-5.4	-279	-5.4
<b>Net sales</b>	<b>6 108</b>	<b>100.0</b>	5 142	100.0
Other operating income	139	2.3	104	2.0
Changes in inventories	197	3.2	9	0.2
Operating expenses	-4 786	-78.4	-4 132	-80.3
Depreciation, amortization and impairment charges	-222	-3.6	-220	-4.3
<b>Operating profit</b>	<b>1 436</b>	<b>23.5</b>	903	17.6
Net financial result	-38	-0.6	46	0.9
<b>Result before taxes</b>	<b>1 398</b>	<b>22.9</b>	949	18.5
Income taxes	-318	-5.2	-186	-3.7
<b>Net income</b>	<b>1 080</b>	<b>17.7</b>	763	14.8
Attributable to equity holders of The Swatch Group Ltd	1 074		759	
Attributable to non-controlling interests	6		4	

Unaudited figures.

## Consolidated Balance Sheet (Condensed)

	31.12.2010		31.12.2009	
	CHF million	%	CHF million	%
<b>Assets</b>				
<b>Non-current assets</b>	<b>2 379</b>	<b>27.6</b>	2 292	29.7
- Inventories	2 869	33.3	2 743	35.6
- Trade receivables	716	8.3	761	9.9
- Other current assets	2 650	30.8	1 910	24.8
<b>Current assets</b>	<b>6 235</b>	<b>72.4</b>	5 414	70.3
<b>Total assets</b>	<b>8 614</b>	<b>100.0</b>	7 706	100.0
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>7 101</b>	<b>82.4</b>	5 981	77.6
- Non-current liabilities	493	5.7	484	6.3
- Current liabilities	1 020	11.9	1 241	16.1
<b>Total liabilities</b>	<b>1 513</b>	<b>17.6</b>	1 725	22.4
<b>Total equity and liabilities</b>	<b>8 614</b>	<b>100.0</b>	7 706	100.0

Unaudited figures.

## Consolidated Statement of Cash Flows (Condensed)

	2010 CHF million	2009 CHF million
<b>Operating activities</b>		
Net income	1 080	763
Depreciation and impairment charge	222	220
Fair value result/ interests	29	-33
Changes in working capital	-108	0
Taxes	93	-51
Divestment gain, pensions, provisions and other items	37	-9
<b>Cash flow from operating activities</b>	<b>1 353</b>	<b>890</b>
<b>Investing activities</b>		
Investments in non-current assets	-301	-252
Proceeds from sale of non-current assets	19	6
Purchase/sale of marketable securities	-25	25
Investments in subsidiaries and associates	-34	-14
Divestments of businesses	12	0
<b>Cash flow from investing activities</b>	<b>-329</b>	<b>-235</b>
<b>Financing activities</b>		
Dividends paid	-213	-226
Sale of treasury shares	1	1
Change in non-current borrowings	-5	-11
Change in current borrowings	-27	3
Repurchase of non-controlling interests	-5	0
Repurchase of convertible bonds	0	-2
<b>Cash flow from financing activities</b>	<b>-249</b>	<b>-235</b>
<b>Net impact of foreign exchange rate differences on cash</b>	<b>-48</b>	<b>-2</b>
<b>Change in cash and cash equivalents</b>	<b>727</b>	<b>418</b>
<b>Change in cash and cash equivalents</b>		
- At beginning of year	1 098	680
- At end of year	1 825	1 098

Unaudited figures.

## Segment Information

(CHF million)	2010			2009*		
	Third	Group	Total	Third	Group	Total
<b>Gross sales</b>						
Watches & Jewelry	5 528	4	5 532	4 440	4	4 444
Production	488	1 051	1 539	594	838	1 432
Electronic Systems	416	24	440	380	14	394
Corporate and elimination	8	-1 079	-1 071	7	-856	-849
<b>Total</b>	<b>6 440</b>	<b>0</b>	<b>6 440</b>	<b>5 421</b>	<b>0</b>	<b>5 421</b>
<b>Net sales</b>						
Watches & Jewelry	5 221	4	5 225	4 198	4	4 202
Production	467	1 020	1 487	562	811	1 373
Electronic Systems	412	24	436	377	14	391
Corporate and elimination	8	-1 048	-1 040	5	-829	-824
<b>Total</b>	<b>6 108</b>	<b>0</b>	<b>6 108</b>	<b>5 142</b>	<b>0</b>	<b>5 142</b>
		% of	% of		% of	% of
<b>Operating profit</b>		<b>sales</b>	<b>Total</b>		<b>sales</b>	<b>Total</b>
Watches & Jewelry	1 221	23.4%	85.0%	802	19.1%	88.8%
Production	169	11.4%	11.8%	96	7.0%	10.6%
Electronic Systems	57	13.1%	4.0%	24	6.1%	2.7%
Corporate and elimination	-11		-0.8%	-19		-2.1%
<b>Total</b>	<b>1 436</b>	<b>23.5%</b>	<b>100.0%</b>	<b>903</b>	<b>17.6%</b>	<b>100.0%</b>

\* restated following integration of Piguet activities (Production segment) into Manufacture Blancpain (Segment Watches & Jewelry)

Unaudited figures.

## Statistical Information

	2010		2009	
	Basic	Diluted	Basic	Diluted
<b>Average number of registered shares outstanding</b>	<b>113 103 548</b>	<b>119 126 412</b>	110 446 207	119 043 086
<b>Average number of bearer shares outstanding</b>	<b>30 335 000</b>	<b>30 335 000</b>	30 335 000	30 335 000
<b>Key data per registered share (nom. CHF 0.45) in CHF</b>				
Consolidated net income	4.05	3.97	2.89	2.85
Cash flow from operating activities	5.11	5.00	3.40	3.29
Consolidated shareholders' equity	26.82	26.22	22.74	22.05
Dividend	1.00 <sup>1)</sup>	1.00 <sup>1)</sup>	0.80	0.80
Price/earnings ratio	18.6	19.0	17.1	17.3
<b>Key data per bearer share (nom. CHF 2.25) in CHF</b>				
Consolidated net income	20.27	19.83	14.47	14.26
Cash flow from operating activities	25.55	24.98	17.01	16.45
Consolidated shareholders' equity	134.09	131.11	113.85	110.12
Dividend	5.00 <sup>1)</sup>	5.00 <sup>1)</sup>	4.00	4.00
Price/earnings ratio	20.6	21.0	18.1	18.4
<b>Share capital in CHF</b>	<b>125 210 250</b>	<b>125 210 250</b>	125 210 250	125 210 250

<sup>1)</sup> Board of Directors' proposal

Unaudited figures.