

PRESS RELEASE

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SWATCH GROUP: KEY FIGURES 2011

- Gross sales exceed CHF 7 billion for the first time to CHF 7 143 million, an increase of +21.7% over 2010 at constant exchange rates.
- More than 2 800 new jobs created in 2011 alone.
- Operating profit of CHF 1 614 million, an increase of +12.4% on 2010. Operating margin increases from 23.5% to a strong 23.9% despite the negative currency environment and the sharp rise in commodity prices.
- Net income up +18.1% to CHF 1 276 million.
- Equity over CHF 8 billion for the first time, equal to an equity ratio of 82.3%.
- Proposed dividend increase of 15%, CHF 5.75 per bearer share (2010: CHF 5.00) and CHF 1.15 per registered share (2010: CHF 1.00).
- Another successful start in January 2012 with double-digit growth in the Watches & Jewelry segment despite the high benchmark from the previous year.

Following publication of sales figures on 10 January 2012, 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 1 March 2012.

Group Key Figures

(CHF million)	2011	2010	Change in %		Total
			at constant rates	currency effect	
Gross sales	7 143	6 440	+21.7%	-10.8%	+10.9%
Net sales	6 764	6 108			+10.7%
Operating profit	1 614	1 436			+12.4%
– in % of net sales	23.9%	23.5%			
Net income	1 276	1 080			+18.1%
– in % of net sales	18.9%	17.7%			
Equity	8 071	7 101			+13.7%
– as % of total assets	82.3%	82.4%			
Average return on equity (ROE)	16.8%	16.5%			

Group Overview

For 2011, the Swatch Group has record numbers at all levels to post once again. Despite the ongoing difficult currency environment, gross sales were up 21.7% on a currency-adjusted basis to CHF 7 143 million. The continued weakness in the euro and the dollar during the year had a major negative impact on sales of about CHF 700 million.

Improvements in efficiency and the Group's traditionally strong cost controls helped increase its operating profit for the year under review by 12.4% to CHF 1 614 million, despite an unfavorable trend in foreign exchange rates and the sharp rise in the price of gold and diamonds, two important commodities for us. The operating margin of 23.9% was able to beat the good level from the prior year. Overall, the Group posted record results, with its net income up 18.1% over the prior year to CHF 1 276 million.

Equity of CHF 8 071 million, with an equity ratio of 82.3%, confirms the continuity of the Group's extremely solid financing. The average return on equity was a considerable 16.8% (previous year: 16.5%). The Swatch Group generated an operating cash flow of CHF 705 million despite an increase in inventories, for the expansion of the own distribution network on the one hand, and for strategic commodities such as precious metals and diamonds on the other hand. Furthermore, approximately CHF 580 million were used for investing activities. During the year under review, the Swatch Group created more than 2 800 new jobs, which raised the number of employees worldwide to over 28 000.

The Board of Directors of the Swatch Group will propose the following dividend for 2011 to the Annual General Meeting on 16 May 2012: CHF 5.75 per bearer share and CHF 1.15 per registered share. This increase in the dividend payment to shareholders of 15% versus the previous year is a result of the record results achieved in 2011 and underscores the optimistic outlook for business performance going forward in 2012.

Watches & Jewelry

(CHF million)	2011	2010	Change in %			2010
			at constant	currency	Total	
		restated *	rates	effect		reported
Gross sales						
– Third parties	6 309	5 528				5 528
– Group	3	4				4
– Total	6 312	5 532	+26.1%	–12.0%	+14.1%	5 532
Net sales	5 953	5 225			+13.9%	5 225
Operating profit	1 352	1 247			+8.4%	1 221
– in % of net sales	22.7%	23.9%				23.4%

* restated following changes in Group structure and retroactive adjustments to segment information

The Swatch Group's core Watches & Jewelry segment was up again strongly in 2011. Gross sales reached CHF 6 312 million, an increase at constant exchange rates of 26.1% over 2010. The strength of the Group's brands was noticeable not only in Greater China, but in all other regions as well, and in the very strong growth rates across all price segments, which have been leading to major capacity bottlenecks at times.

In addition to the very difficult currency environment, the rise in prices for commodities important to us, such as gold and diamonds, had a negative impact on margins. Despite this situation, the Swatch Group has maintained, in the interest of expanding market share, its long-term policy of not implementing short-term price increases. For the same reason marketing activities have been intensified in all price segments and brands. Despite this, the segment's operating profit increased by 8.4% to CHF 1 352 million, which represents an operating margin of 22.7%.

Production

(CHF million)	2011	2010	Change in %		Total	2010 as reported
			at constant rates	currency effect		
		restated *				
Gross sales						
– Third parties	518	488				488
– Group	1 497	1 032				1 051
– Total	2 015	1 520	+33.0%	–0.4%	+32.6%	1 539
Net sales	1 972	1 468			+34.3%	1 487
Operating profit	322	196			+64.3%	169
– in % of net sales	16.3%	13.4%				11.4%

* restated following changes in Group structure and retroactive adjustments to segment information

The huge increase in demand for various components during the year under review boosted gross sales in the Production segment by 32.6% over the prior year to CHF 2 015 million. Production capacities were expanded further. However, because of the constantly increasing demand for components in certain production sectors, it was not possible to eliminate bottlenecks.

Thanks to high utilization and the traditionally strict cost controls, the segment's profitability was increased. Operating profit increased by 64.3% to CHF 322 million, corresponding to an operating margin of 16.3% (versus 13.4% in 2010). The increase came despite sharp price increases for many commodities.

We expect growth to continue in 2012. To meet this growth, the Swatch Group will continue to invest heavily in its production capacities in Switzerland.

Electronic Systems

(CHF million)	2011	2010	Change in %		Total	2010 as reported
			at constant rates	currency effect		
		restated *				
Gross sales						
– Third parties	308	416				416
– Group	28	24				24
– Total	336	440	–16.3%	–7.3%	–23.6%	440
Net sales	334	436			–23.4%	436
Operating profit	13	61			–78.7%	57
– in % of net sales	3.9%	14.0%				13.1%

* restated following retroactive adjustments to segment information

The market environment for the Electronic Systems segment in 2011 was characterized by the strong overvaluation of the Swiss franc and the weakening in certain key markets. International competitors had a clear USD cost advantage, which we were not able to make up for through higher production volume. Nevertheless, the segment finished the year with gross sales of CHF 336 million, which represents a decrease of 16.3% at constant exchange rates.

Profitability suffered under the difficult economic environment. The segment's operating profit reached CHF 13 million in the year under review, which represents an operating margin of 3.9% (versus 14% in 2010). The segment should return to a growth path soon thanks to the currently positive order entries and a modest rebound in the USD.

Outlook for 2012

The Swatch Group is well prepared for the future and is maintaining its clear and healthy long-term growth strategy. We expect growth to continue in 2012, although this is more and more challenging due to the high benchmark. The Swatch Group will also continue to make targeted investments in 2012 in its worldwide distribution network and in its production capacities in Switzerland across all segments, despite the strong Swiss franc.

Next publications/events:

01.03.2012	Publication of the annual report 2011 Press and analyst conference
16.05.2012	Annual General Meeting, Biel
14.08.2012	Publication of 2012 half-year results

Original: German
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Consolidated Income Statement (Condensed)

	2011		2010	
	CHF million	%	CHF million	%
Gross sales	7 143	105.6	6 440	105.4
Sales reductions	-379	-5.6	-332	-5.4
Net sales	6 764	100.0	6 108	100.0
Other operating income	88	1.3	139	2.3
Changes in inventories	799	11.8	197	3.2
Operating expenses	-5 808	-85.8	-4 786	-78.4
Depreciation, amortization and impairment charges	-229	-3.4	-222	-3.6
Operating profit	1 614	23.9	1 436	23.5
Net financial result	-3	-0.1	-38	-0.6
Result before taxes	1 611	23.8	1 398	22.9
Income taxes	-335	-4.9	-318	-5.2
Net income	1 276	18.9	1 080	17.7
Attributable to equity holders of The Swatch Group Ltd	1 269		1 074	
Attributable to non-controlling interests	7		6	

Unaudited figures.

Consolidated Balance Sheet (Condensed)

	31.12.2011		31.12.2010	
	CHF million	%	CHF million	%
Assets				
Non-current assets	2 709	27.6	2 379	27.6
- Inventories	3 671	37.4	2 869	33.3
- Trade receivables	894	9.1	716	8.3
- Other current assets	2 531	25.9	2 650	30.8
Current assets	7 096	72.4	6 235	72.4
Total assets	9 805	100.0	8 614	100.0
Equity and liabilities				
Equity	8 071	82.3	7 101	82.4
- Non-current liabilities	583	6.0	493	5.7
- Current liabilities	1 151	11.7	1 020	11.9
Total liabilities	1 734	17.7	1 513	17.6
Total equity and liabilities	9 805	100.0	8 614	100.0

Unaudited figures.

Consolidated Statement of Cash Flows (Condensed)

	2011 CHF million	2010 CHF million
Operating activities		
Net income	1 276	1 080
Reversal of non-cash items	598	559
Changes in working capital and other items included in operating cash flow	-855	-64
Dividends received from associated companies	8	2
Net interest received / (paid)	3	1
Income tax paid	-325	-225
Cash flow from operating activities	705	1 353
Investing activities		
Investments in non-current assets	-515	-301
Proceeds from sale of non-current assets	19	19
Purchase / sale of marketable securities	-36	-25
Investments in subsidiaries and associates	-31	-34
Divestments of businesses and associates	2	12
Cash flow from investing activities	-561	-329
Financing activities		
Dividends paid	-274	-213
Purchase of treasury shares	-54	0
Sale of treasury shares	1	1
Change in non-current borrowings	-8	-5
Change in current borrowings	-15	-27
Repurchase of non-controlling interests	0	-5
Cash flow from financing activities	-350	-249
Net impact of foreign exchange rate differences on cash	-3	-48
Change in cash and cash equivalents	-209	727
Change in cash and cash equivalents		
- At beginning of year	1 825	1 098
- At end of year	1 616	1 825

Unaudited figures.

Segment Information

(CHF million)	2011			2010 *		
	Third	Group	Total	Third	Group	Total
Gross sales						
Watches & Jewelry	6 309	3	6 312	5 528	4	5 532
Production	518	1 497	2 015	488	1 032	1 520
Electronic Systems	308	28	336	416	24	440
Corporate and elimination	8	-1 528	-1 520	8	-1 060	-1 052
Total	7 143	0	7 143	6 440	0	6 440
Net sales						
Watches & Jewelry	5 950	3	5 953	5 221	4	5 225
Production	500	1 472	1 972	467	1 001	1 468
Electronic Systems	306	28	334	412	24	436
Corporate and elimination	8	-1 503	-1 495	8	-1 029	-1 021
Total	6 764	0	6 764	6 108	0	6 108
		% of	% of	% of	% of	% of
Operating profit		sales	Total	sales	Total	Total
Watches & Jewelry	1 352	22.7%	83.8%	1 247	23.9%	86.8%
Production	322	16.3%	19.9%	196	13.4%	13.7%
Electronic Systems	13	3.9%	0.8%	61	14.0%	4.2%
Corporate and elimination	-73		-4.5%	-68		-4.7%
Total	1 614	23.9%	100.0%	1 436	23.5%	100.0%

* restated following changes in Group structure and retroactive adjustments to segment information

Unaudited figures.

Statistical Information

	2011		2010	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	118 399 729	118 633 515	113 103 548	119 126 412
Average number of bearer shares outstanding	30 335 000	30 335 000	30 335 000	30 335 000
Key data per registered share (nom. CHF 0.45) in CHF				
Consolidated net income	4.70	4.70	4.05	3.97
Cash flow from operating activities	2.61	2.61	5.11	5.00
Consolidated shareholders' equity	29.82	29.80	26.77	26.17
Dividend	1.15 ¹⁾	1.15 ¹⁾	1.00	1.00
Price/earnings ratio	13.3	13.3	18.6	19.0
Key data per bearer share (nom. CHF 2.25) in CHF				
Consolidated net income	23.50	23.48	20.27	19.83
Cash flow from operating activities	13.05	13.04	25.55	24.98
Consolidated shareholders' equity	149.11	148.98	133.83	130.85
Dividend	5.75 ¹⁾	5.75 ¹⁾	5.00	5.00
Price/earnings ratio	15.0	15.0	20.6	21.0
Share capital in CHF	125 210 250	125 210 250	125 210 250	125 210 250

¹⁾ Board of Directors' proposal

Unaudited figures.