

PRESS RELEASE

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SWATCH GROUP: KEY FIGURES 2012

- Gross sales increase by one billion to CHF 8 143 million, up 14% on 2011.
- Net income rises 26% to CHF 1 608 million.
- Operating profit amounts to CHF 1 984 million, a rise of 22.9% compared with 2011. Operating margin increases from 23.9% to 25.4%.
- Over 1 500 new jobs created, of which approximately 900 in Switzerland.
- Proposed dividend increase of 17.4%, CHF 6.75 per bearer share (2011: CHF 5.75) and CHF 1.35 per registered share (2011: CHF 1.15).
- The 2013 financial year started well in January with continued healthy growth.

Following publication of sales figures on 10 January 2013, 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 6 March 2013.

Group Key Figures

(CHF million)	2012	2011	Change in %		Total
			at constant rates	currency effect	
Gross sales	8 143	7 143	+ 10.9%	+ 3.1%	+ 14.0%
Net sales	7 796	6 764			+ 15.3%
Operating profit	1 984	1 614			+ 22.9%
– in % of net sales	25.4%	23.9%			
Net income	1 608	1 276			+ 26.0%
– in % of net sales	20.6%	18.9%			
Equity	9 344	8 071			+ 15.8%
– as % of total assets	83.3%	82.3%			
Average return on equity (ROE)	18.5%	16.8%			

Group Overview

In 2012, the Swatch Group exceeded its eight-billion-franc target for gross sales. In an economic environment that remained extremely nervous, the Group increased gross sales by 14.0% to CHF 8 143 million, one billion more than in 2011. Foreign currencies stabilized somewhat against the Swiss franc but remain significantly weaker than two years ago. Had the currency situation been the same as in 2010, sales would have been some CHF 500 million higher in the year under review.

Thanks to a high level of capacity utilization, innovative production methods and traditionally strong cost controls, operating profit increased to CHF 1 984 million, a rise of 22.9% compared to 2011. The operating margin improved from 23.9% to 25.4%. Overall, this resulted in net income of CHF 1 608 million, a rise of 26.0% on 2011.

With equity of CHF 9 344 million and an equity ratio of 83.3%, the Group has an extremely solid and independent financing. The average return on equity was 18.5% (16.8% in 2011). The Group generated an operating cash flow of CHF 999 million, despite further investments in net working capital. In addition, a total of almost CHF 500 million was used for investments. Around 1 500 new jobs were created in 2012, thereof 900 in Switzerland, and a further 280 positions were added as a result of acquisitions. This increased the total headcount of the Swatch Group around the world to over 29 700.

The Board of Directors of the Swatch Group will propose the following dividend for 2012 to the Annual General Meeting on 29 May 2013: CHF 6.75 per bearer share and CHF 1.35 per registered share. This increase in the dividend payment to shareholders of 17.4% versus the previous year is due to the good results achieved in 2012 and underscores the continued optimistic outlook for business performance in 2013.

Watches & Jewelry

(CHF million)	2012	2011	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	7 295	6 309			
– Group	3	3			
– Total	7 298	6 312	+ 12.2%	+ 3.4%	+ 15.6%
Net sales	6 955	5 953			+ 16.8%
Operating profit	1 633	1 352			+ 20.8%
– in % of net sales	23.5%	22.7%			

The Watches and Jewelry segment saw a further significant increase in sales. Gross sales amounted to CHF 7 298 million, up 15.6% on 2011. All brands contributed to this good result, with the high range and middle range price segments recording very strong growth. In geographic terms, sales growth was distributed over all continents, in particular outside the Greater China area, such as Europe, the United States, Russia and the Middle East.

The segment's operating profit increased by 20.8% to CHF 1 633 million, which corresponds to an operating margin of 23.5%. Despite ongoing unfavorable currency developments, the Swatch Group maintained its long-term policy of not implementing any short-term price increases, which allowed it to continue gaining new market shares across all areas. In marketing, continuing high investments, some amounting to hundreds of millions of Swiss francs, have been spent for the further development of the various brands, in particular for Omega during the very successful Olympic Games in London.

In the multibrand retail sector, the already well established Tourbillon retail brand continued to develop extremely well, with new openings in the United States in particular. The introduction of the new and innovative retail concept for brands in the segments from Swatch to Longines, which operates under the name "Hour Passion", was extremely successful. In addition to airport operations, the first boutiques were opened in Paris and Moscow and "Hour Passion" stores will be opening soon in London and Rome.

Production

(CHF million)	2012	2011	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	559	518			
– Group	1 658	1 497			
– Total	2 217	2 015	+ 10.1%	- 0.1%	+ 10.0%
Net sales	2 215	1 972			+ 12.3%
Operating profit	442	322			+ 37.3%
– in % of net sales	20.0%	16.3%			

In the year under review, the Production segment continued to benefit from strong demand. This gratifying situation resulted in sales growth of 10.0% to CHF 2 217 million. Production capacities were adapted and extended further, which eased some of the production bottlenecks. Simon Et Membrez, acquired in 2012, was incorporated into the Group's financial statements for the first time. The lower level of growth in this segment in the second half of the year is due mainly to the sharp drop in diamond prices and a change in the mix of diamonds used.

The segment achieved a significant further increase in profitability, due not least to the high level of capacity utilization and new revolutionary production methods. Operating profit increased by 37.3% to CHF 442 million, corresponding to an operating margin of 20.0% (2011: 16.3%).

Electronic Systems

(CHF million)	2012	2011	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	281	308			
– Group	30	28			
– Total	311	336	- 9.0%	+ 1.6%	- 7.4%
Net sales	308	334			- 7.8%
Operating profit	1	13			
– in % of net sales	0.3%	3.9%			

The market environment for the Electronic Systems segment failed to improve significantly. In the year under review, performance continued to be impacted by both the weak US dollar and ongoing uncertainty in some key markets. The segment posted gross sales of CHF 311 million, down 7.4% on 2011.

The segment margins also continued to suffer in 2012 as a result of massive price pressures and an unchanged unfavorable currency constellation. Operating profit was only just in positive territory. Our goal is to significantly increase both sales and profits in this segment in 2013 with our unique, high-quality products, despite the difficult environment.

Outlook for 2013

The signals from the markets around the world clearly indicate continued healthy growth potential for the Swiss watch industry and the Swatch Group. As always, the focus is on producing innovative and high-quality Swiss products in every segment. Against this backdrop, there is a realistic prospect of long-term growth in the Swiss watch industry of five to ten percent per year.

The Swatch Group continues to have substantial potential for 2013, thanks also to the integration of Harry Winston to the brand portfolio. With this acquisition, the Swatch Group is present in all segments, including jewelry, with world-renowned, first-class brands with their fully integrated vertical production.

Next publications/events:

06.03.2013	Publication of the annual report 2012 Press and analyst conference
29.05.2013	Annual General Meeting, Biel
15.08.2013	Publication of 2013 half-year results

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Consolidated Income Statement (Condensed)

	2012		2011	
	CHF million	%	CHF million	%
Gross sales	8 143	104.5	7 143	105.6
Sales reductions	- 347	- 4.5	- 379	- 5.6
Net sales	7 796	100.0	6 764	100.0
Other operating income	238	3.0	88	1.3
Changes in inventories	722	9.2	799	11.8
Operating expenses	- 6 511	- 83.5	- 5 808	- 85.8
Depreciation, amortization and impairment charges	- 261	- 3.3	- 229	- 3.4
Operating profit	1 984	25.4	1 614	23.9
Net financial result	33	0.4	- 3	- 0.1
Result before taxes	2 017	25.8	1 611	23.8
Income taxes	- 409	- 5.2	- 335	- 4.9
Net income	1 608	20.6	1 276	18.9
Attributable to equity holders of				
The Swatch Group Ltd	1 600		1 269	
Attributable to non-controlling interests	8		7	

Unaudited figures.

Consolidated Balance Sheet (Condensed)

Assets	31.12.2012		31.12.2011	
	CHF million	%	CHF million	%
Non-current assets	3 395	30.3	2 709	27.6
- Inventories	4 407	39.3	3 671	37.4
- Trade receivables	1 060	9.4	894	9.1
- Other current assets	2 360	21.0	2 531	25.9
Current assets	7 827	69.7	7 096	72.4
Total assets	11 222	100.0	9 805	100.0
Equity and liabilities	31.12.2012		31.12.2011	
	CHF million	%	CHF million	%
Equity	9 344	83.3	8 071	82.3
- Non-current liabilities	674	6.0	583	6.0
- Current liabilities	1 204	10.7	1 151	11.7
Total liabilities	1 878	16.7	1 734	17.7
Total equity and liabilities	11 222	100.0	9 805	100.0

Unaudited figures.

Consolidated Statement of Cash Flows (Condensed)

	2012 CHF million	2011 CHF million
Operating activities		
Net income	1 608	1 276
Reversal of non-cash items	638	598
Changes in working capital and other items included in operating cash flow	- 956	- 855
Dividends received from associated companies	17	8
Net interest received / (paid)	8	3
Income tax paid	- 316	- 325
Cash flow from operating activities	999	705
Investing activities		
Investments in tangible and intangible assets	- 477	- 393
Investments in other non-current assets	- 18	- 122
Proceeds from sale of non-current assets	16	19
Purchase / sale of marketable securities	119	- 36
Investments in subsidiaries and associates	- 476	- 31
Divestments of businesses and associates	0	2
Cash flow from investing activities	- 836	- 561
Financing activities		
Dividends paid	- 316	- 274
Purchase of treasury shares	- 2	- 54
Sale of treasury shares	8	1
Change in non-current borrowings	- 6	- 8
Change in current borrowings	61	- 15
Cash flow from financing activities	- 255	- 350
Net impact of foreign exchange rate differences on cash	- 4	- 3
Change in cash and cash equivalents	- 96	- 209
Change in cash and cash equivalents		
- At beginning of year	1 616	1 825
- At end of year	1 520	1 616
	- 96	- 209

Unaudited figures.

Segment Information

(CHF million)	2012			2011		
	Third	Group	Total	Third	Group	Total
Gross sales						
Watches & Jewelry	7 295	3	7 298	6 309	3	6 312
Production	559	1 658	2 217	518	1 497	2 015
Electronic Systems	281	30	311	308	28	336
Corporate and elimination	8	-1 691	-1 683	8	-1 528	-1 520
Total	8 143	0	8 143	7 143	0	7 143
Net sales						
Watches & Jewelry	6 952	3	6 955	5 950	3	5 953
Production	558	1 657	2 215	500	1 472	1 972
Electronic Systems	278	30	308	306	28	334
Corporate and elimination	8	-1 690	-1 682	8	-1 503	-1 495
Total	7 796	0	7 796	6 764	0	6 764
		% of	% of		% of	% of
Operating profit		sales	Total		sales	Total
Watches & Jewelry	1 633	23.5%	82.3%	1 352	22.7%	83.8%
Production	442	20.0%	22.3%	322	16.3%	19.9%
Electronic Systems	1	0.3%	0.1%	13	3.9%	0.8%
Corporate and elimination	-92		-4.7%	-73		-4.5%
Total	1 984	25.4%	100.0%	1 614	23.9%	100.0%

Unaudited figures.

Statistical Information

	2012		2011	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	118 195 194	118 426 354	118 399 729	118 633 515
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	5.93	5.92	4.70	4.70
Cash flow from operating activities	3.70	3.70	2.61	2.61
Consolidated shareholders' equity	34.55	34.52	29.82	29.80
Dividend	1.35 ¹⁾	1.35 ¹⁾	1.15	1.15
Price / earnings ratio	13.3	13.3	13.3	13.3
Key data per bearer share (nom. CHF 2.25) in CHF				
Consolidated net income	29.64	29.62	23.50	23.48
Cash flow from operating activities	18.51	18.49	13.05	13.04
Consolidated shareholders' equity	172.77	172.62	149.11	148.98
Dividend	6.75 ¹⁾	6.75 ¹⁾	5.75	5.75
Price / earnings ratio	15.6	15.6	15.0	15.0
Share capital in CHF	125 210 250	125 210 250	125 210 250	125 210 250

¹⁾ Board of Directors' proposal

Unaudited figures.