

PRESS RELEASE

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SWATCH GROUP: KEY FIGURES 2013

- Gross sales increase to CHF 8 817 million, a plus of 8.3% despite negative exchange rates.
- Net sales rise 8.5% to CHF 8 456 million.
- Operating profit increases 17.0% to CHF 2 314 million. Operating margin of 27.4% (previous year 25.4%), of which the effect of the legal case success against Tiffany & Co. USA, after depreciation and impairment, accounts for about 3 margin points.
- Net income rises 20.2% to CHF 1 928 million, a net return on sales of 22.8%.
- Headcount rises by 3 800, of which 900 in Switzerland, to 33 600 worldwide.
- Equity of more than CHF 9.5 billion, equivalent to an equity ratio of 82.3%.
- Proposed dividend increase of +11.1%, per bearer share CHF 7.50 (previous year CHF 6.75) and per registered share CHF 1.50 (previous year CHF 1.35).
- Auspicious start to 2014 in all segments.

Following publication of sales figures on 10 January 2014, 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 20 March 2014.

Group Key Figures

(CHF million)	2013	2012 ¹⁾	Change in %		Total
			at constant rates	currency effect	
Gross sales	8 817	8 143	+ 9.1%	– 0.8%	+ 8.3%
Net sales	8 456	7 796			+ 8.5%
Operating profit	2 314	1 978			+ 17.0%
– in % of net sales	27.4%	25.4%			
Net income	1 928	1 604			+ 20.2%
– in % of net sales	22.8%	20.6%			
Equity	9 574	8 573			+ 11.7%
– as % of total assets	82.3%	82.2%			
Average return on equity (ROE)	21.2%	19.7%			

¹⁾ Restated prior year figures due to change from IFRS to Swiss GAAP FER.

Unaudited figures.

With its 20 brands, the worldwide leader in the watch sector grew by a further 8.3%, generating record sales of CHF 8 817 million in 2013, despite the extremely adverse currency situation. Group net sales even rose 8.5% to CHF 8 456 million. The major growth factors were the strong brands and the extensive distribution and retail network. The ongoing over-valuation of the Swiss franc, particularly against the USD and JPY, negatively impacted Group results versus 2012. In the second half of the year, the negative effect on sales due to exchange rates was over CHF 100 million.

Watches & Jewelry generated a sales growth of over 10%. Including production, gross sales in the aforementioned segment increased 8.6% to CHF 8 532 million and net sales 8.8% to CHF 8 173 million. In comparison, exports of wrist watches by the entire Swiss Watch Industry increased 1.8% to the end of November 2013. This indicates a significant increase in market share by the Swatch Group.

The Harry Winston brand was taken over early in the year and, together with its global workforce of 535 at the time and its Geneva production company, was integrated into the Group. At the end of November, the Swatch Group also took control of Rivoli Investment LLC, a corporation with a distribution network of more than 360 retail stores in the Middle East.

Specific investment enabled production capacities to be expanded further and put into operation. Furthermore, the new watch-dial plant in Grenchen, the component plant in Villaret and component production facilities in Boncourt started operations early in the year, once again confirming the Group's commitment to the Swiss manufacturing location and a further strengthening of "Swiss Made". More than 900 jobs for the Group were created in Switzerland alone.

Operating profit increased 17.0% to CHF 2 314 million in 2013, corresponding to an operating margin of 27.4%. The effect on operating margin related to the over CHF 400 million compensation from the legal case success against Tiffany & Co. USA, after depreciation of inventory and impairment of other assets, accounts for approximately 3 margin points. Overall, net income was CHF 1 928 million, which corresponds to a 22.8% net return on sales.

By the end of December 2013, equity reached a new high of CHF 9 574 million, equivalent to an equity ratio of 82.3%. In particular, it should be noted that Swatch Group, in accordance with Swiss GAAP FER, removed all goodwill from its assets and deducted it from its equity. Any potential future impairment risk on goodwill has therefore been removed from the balance sheet. The Group has an extremely solid financial and equity base. Operating cash flow increased 31% to CHF 1.3 billion in 2013. As a result, cash and marketable securities reached more than CHF 1.2 billion at the end of December 2013. Due to payments for December sales and the compensation realized from Tiffany & Co. USA, cash and marketable securities increased to more than CHF 1.8 billion by the end of January 2014. This brings them to practically the same level as before the takeovers of Harry Winston and Rivoli and annual investment of almost CHF 700 million in machinery, installations, production infrastructure and retail stores.

The electronic systems segment was exposed to the weak USD and JPY for the entire reporting year, closing with overall gross sales of CHF 299 million, a 3.9% decrease versus the previous year. The segment's operating result shows a loss of CHF 12 million, although this was lower in the second half of the year than in the first.

On the strength of the good results achieved in 2013 and the positive outlook for 2014, the Board of Directors of the Swatch Group will propose the following dividend for 2013 to the Annual General Meeting on 14 May 2014: CHF 7.50 per bearer share and CHF 1.50 per registered share (+11.1% compared to prior year).

Outlook for 2014

All brands had an auspicious start. In the first month of the year, sales of both watches and jewelry were very good. After four years of strong and dynamic growth by Swatch Group, as well as the entire Swiss watch industry, continued healthy growth is expected in 2014.

Thanks to its 20 strong brands and their attractive products, further expansion of the distribution and retail network, the investment made in almost all production areas as well as an extremely healthy equity and financial situation, the Swatch Group is in an excellent position for both the future and for long-term growth.

Next publications/events:

20.03.2014	Publication of the annual report 2013 Press and analyst conference
14.05.2014	Annual General Meeting, Grenchen
07.08.2014	Publication of 2014 half-year results

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Consolidated Income Statement

	2013		2012 ¹⁾	
	CHF million	%	CHF million	%
Gross sales	8 817	104.3	8 143	104.5
Sales reductions	- 361	- 4.3	- 347	- 4.5
Net sales	8 456	100.0	7 796	100.0
Other operating income	518	6.1	238	3.1
Changes in inventories	586	6.9	722	9.3
Material purchases	- 2 456	- 29.0	- 2 356	- 30.2
Personnel expense	- 2 144	- 25.3	- 1 988	- 25.5
Depreciation on tangible assets	- 276	- 3.3	- 239	- 3.1
Amortization on intangible assets	- 28	- 0.3	- 22	- 0.3
Other operating expenses	- 2 342	- 27.7	- 2 173	- 27.9
Operating profit	2 314	27.4	1 978	25.4
Other financial income and expense	25	0.3	16	0.2
Interest expense	- 2	- 0.0	- 3	- 0.0
Share of result from associates and joint ventures	13	0.1	18	0.2
Ordinary result	2 350	27.8	2 009	25.8
Non-operating result	6	0.1	2	0.0
Extraordinary result	0	0.0	0	0.0
Profit before taxes	2 356	27.9	2 011	25.8
Income taxes	- 428	- 5.1	- 407	- 5.2
Net income	1 928	22.8	1 604	20.6
Attributable to equity holders of The Swatch Group Ltd	1 921		1 596	
Attributable to non-controlling interests	7		8	
Earnings per share (EPS) – expressed in CHF per share:				
Registered shares				
Basic earnings per share	7.08		5.91	
Diluted earnings per share	7.08		5.91	
Bearer shares				
Basic earnings per share	35.41		29.57	
Diluted earnings per share	35.38		29.54	

¹⁾ Restated prior year figures due to change from IFRS to Swiss GAAP FER.

Unaudited figures.

Consolidated Balance Sheet

Assets	31.12.2013		31.12.2012 ¹⁾	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	908	7.8	1 520	14.6
Marketable securities and derivative financial instruments	325	2.8	447	4.3
Trade receivables	1 073	9.2	1 060	10.2
Other current assets	256	2.2	161	1.5
Inventories	5 426	46.6	4 407	42.2
Prepayments and accrued income	685	5.9	232	2.2
Total current assets	8 673	74.5	7 827	75.0
Non-current assets				
Property, plant and equipment	2 272	19.5	1 922	18.4
Intangible assets	136	1.2	116	1.1
Investments in associates and joint ventures	65	0.6	110	1.1
Other non-current assets	156	1.3	177	1.7
Deferred tax assets	337	2.9	278	2.7
Total non-current assets	2 966	25.5	2 603	25.0
Total assets	11 639	100.0	10 430	100.0

¹⁾ Restated prior year figures due to change from IFRS to Swiss GAAP FER.

Unaudited figures.

Consolidated Balance Sheet

Equity and liabilities	31.12.2013		31.12.2012 ¹⁾	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	15	0.1	75	0.7
Trade payables	383	3.3	320	3.1
Other liabilities	164	1.4	179	1.7
Provisions	74	0.6	65	0.6
Accrued expenses	702	6.1	565	5.4
Total current liabilities	1 338	11.5	1 204	11.5
Non-current liabilities				
Financial debts	44	0.4	60	0.6
Deferred tax liabilities	576	4.9	501	4.8
Retirement benefit obligations	33	0.3	23	0.2
Provisions	45	0.4	40	0.4
Accrued expenses	29	0.2	29	0.3
Total non-current liabilities	727	6.2	653	6.3
Total liabilities	2 065	17.7	1 857	17.8
Equity				
Share capital	125		125	
Capital reserves	- 1 062		- 1 128	
Treasury shares	- 268		- 343	
Translation differences	- 115		- 41	
Retained earnings	10 828		9 941	
Equity of The Swatch Group Ltd shareholders	9 508	81.7	8 554	82.0
Non-controlling interests	66	0.6	19	0.2
Total equity	9 574	82.3	8 573	82.2
Total equity and liabilities	11 639	100.0	10 430	100.0

¹⁾ Restated prior year figures due to change from IFRS to Swiss GAAP FER.

Unaudited figures.

Consolidated Statement of Cash Flows

	2013 CHF million	2012 ¹⁾ CHF million
Operating activities		
Net income	1 928	1 604
Reversal of non-cash items	712	642
Changes in working capital and other items included in operating cash flow	- 965	- 956
Dividends received from associated companies	21	17
Interest received	9	11
Interest paid	- 4	- 3
Income tax paid	- 392	- 316
Cash flow from operating activities	1 309	999
Investing activities		
Investments in tangible assets	- 574	- 438
Proceeds from sale of tangible assets	19	6
Investments in intangible assets	- 48	- 39
Proceeds from sale of intangible assets	-	1
Investments in other non-current assets	- 84	- 18
Proceeds from sale of other non-current assets	10	9
Acquisition of subsidiaries – net of cash	- 759	- 336
Investments in associated companies and joint ventures	- 14	- 140
Divestments of associated companies and joint ventures	0	-
Purchase of marketable securities	- 207	- 181
Sale of marketable securities	348	300
Cash flow from investing activities	- 1 309	- 836
Financing activities		
Dividends paid to shareholders	- 366	- 310
Dividends paid to non-controlling interests	- 5	- 6
Purchase of treasury shares	- 2	- 2
Sale of treasury shares	123	8
Change in non-current financial debts	- 260	- 6
Change in current financial debts	- 88	61
Cash flow from financing activities	- 598	- 255
Net impact of foreign exchange rate differences on cash	- 14	- 4
Change in cash and cash equivalents	- 612	- 96
Change in cash and cash equivalents		
– At beginning of year	1 520	1 616
– At end of year	908	1 520

¹⁾ Restated prior year figures due to change from IFRS to Swiss GAAP FER.

Unaudited figures.

Segment Information

(CHF million)	2013			2012 ¹⁾		
	Third	Group	Total	Third	Group	Total
Gross sales						
Watches & Jewelry ²⁾	8 531	1	8 532	7 854	3	7 857
Electronic Systems	279	20	299	281	30	311
Corporate and elimination ²⁾	7	-21	-14	8	-33	-25
Total	8 817	-	8 817	8 143	-	8 143
Net sales						
Watches & Jewelry ²⁾	8 172	1	8 173	7 510	3	7 513
Electronic Systems	277	20	297	278	30	308
Corporate and elimination ²⁾	7	-21	-14	8	-33	-25
Total	8 456	-	8 456	7 796	-	7 796
Operating profit						
		% of sales	% of Total		% of sales	% of Total
Watches & Jewelry ²⁾	2 424	29.7%	104.8%	2 069	27.5%	104.6%
Electronic Systems	-12	-4.0%	-0.5%	1	0.3%	0.1%
Corporate and elimination ²⁾	-98	-	-4.3%	-92	-	-4.7%
Total	2 314	27.4%	100.0%	1 978	25.4%	100.0%

1) Restated prior year figures due to change from IFRS to Swiss GAAP FER.

2) Restated prior year figures due to modified segment reporting.

Unaudited figures.

Statistical Information

	2013		2012 ¹⁾	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	119 514 584	119 747 295	118 195 194	118 426 354
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	7.08	7.08	5.91	5.91
Cash flow from operating activities	4.83	4.82	3.70	3.70
Consolidated shareholders' equity	35.30	35.27	31.77	31.74
Dividend	1.50 ²⁾	1.50 ²⁾	1.35	1.35
Price / earnings ratio	14.2	14.2	13.3	13.3
Key data per bearer share (nom. CHF 2.25) in CHF				
Consolidated net income	35.41	35.38	29.57	29.54
Cash flow from operating activities	24.13	24.11	18.51	18.49
Consolidated shareholders' equity	176.52	176.33	158.84	158.70
Dividend	7.50 ²⁾	7.50 ²⁾	6.75	6.75
Price / earnings ratio	16.7	16.7	15.6	15.6
Share capital in CHF	125 210 250	125 210 250	125 210 250	125 210 250

1) Restated prior year figures due to change from IFRS to Swiss GAAP FER.

2) Board of Directors' proposal.

Unaudited figures.