

PRESS RELEASE

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SWATCH GROUP: KEY FIGURES 2015

- Net sales of CHF 8 451 million for the Group, 0.9% lower than the previous year at constant exchange rates and 3.0% lower than the previous year at current exchange rates. Calculated in euros, the Group grew 10.3%.
- The Watches & Jewelry segment, including Production, generated net sales of CHF 8 177 million, -0.8% at constant exchange rates. Swiss watch industry exports of wrist watches declined 3.6% in 2015.
- Despite the dismal currency situation, Swatch Group continues its successful long-term strategy of increasing prices only very defensively to insure volume growth.
- Operating profit of CHF 1 451 million, equivalent to an operating margin of 17.2%. Mainly due to additional currency shifts also in the second half of the year, operating margin was about 17% lower in comparison to the previous year.
- In the Watches & Jewelry segment, including Production, operating margin reached 18.8%.
- Net income was CHF 1 119 million, 21.0% below the previous year, due to the strong negative impact of foreign exchange losses and the negative development of interest rates.
- Equity increased to CHF 11.2 billion, equivalent to an equity ratio of 84.7%.
- Dividend proposal unchanged: CHF 7.50 per bearer share and CHF 1.50 per registered share.
- New share buyback program from 2016 to 2019 to a maximum of CHF 1 billion.
- January 2016 shows positive growth compared to the previous year, especially in mainland China. The Swatch Group expects growth well over 5% for the entire year in local currency.

This advance information will be followed by the distribution and discussion of the detailed annual report at the press conference scheduled for 10 March 2016.

Group Key Figures

(CHF million)	2015	2014	Change in %		Total
			at constant rates	currency effect	
Net sales	8 451	8 709	-0.9%	-2.1%	-3.0%
Operating profit	1 451	1 752			-17.2%
- in % of net sales	17.2%	20.1%			
Net income	1 119	1 416			-21.0%
- in % of net sales	13.2%	16.3%			
Equity	11 242	10 674			+5.3%
- as a % of balance sheet total	84.7%	83.7%			
Average return on equity (ROE)	10.2%	14.0%			

Unaudited figures.

Strategy

The very successful long-term strategy of the Swatch Group remains unchanged:

Investment in Switzerland as a manufacturing base, investment in innovation, investment in own retail stores, and long-term investment in marketing, rather than a policy of opportunistic short-term profit maximization.

Group overview

In 2015, Swatch Group generated net sales of CHF 8 636 million at constant exchange rates, equivalent to a slight decrease of 0.9%. The ongoing unfavorable currency situation versus the still massively overvalued Swiss franc reduced Group sales by CHF 185 million or 2.1 percentage points to CHF 8 451 million, -3.0% compared to the previous year. Calculated at constant exchange rates of 2010, the Group has lost cumulatively over CHF 4 billion in sales since 2010, over one billion alone in the year under review. The financial year 2015 was shaped by the currency shock caused by the Swiss National Bank (SNB), which decided to abolish the euro minimum rate at the beginning of the year. As a consequence there were significant shifts in sales in the markets, as well as a marked distortion of the international product pricing structure. Despite this, the long-term strategy of favoring a defensive price adjustment policy over short-term profit thinking was maintained. Calculated in euros, Group net sales however grew 10.3%.

Highlights of the financial year 2015

Regional growth

In the Watches & Jewelry segment, including Production, net sales decreased 0.8% at constant and 3.0% at current exchange rates compared to the previous year. However, exports of wrist watches for the entire Swiss watch industry had declined 3.6% at the end of December. In the year under review, tourist flows changed constantly and quickly, due to various factors such as currency shifts, infectious diseases such as MERS (Middle East Respiratory Syndrome) in South Korea, changes in travel and stay regulations for tourists and local unrest or uncertainty in various countries.

Consumption has basically not changed and remains very good. Sales developed very positively in local currencies. Sales of watches and jewelry in the Swiss market fell slightly due to the strong franc, this however benefited the euro zone, where strong double-digit growth rates were recorded in local currency. Sales also showed very strong growth in Japan. In sharp contrast to Hong Kong, sales in Mainland China were positive.

The Group's retail business recorded strong sales growth. Double-digit growth rates between 20% and 40% were achieved not only in Europe, but also in many Asian countries such as Japan, Taiwan, Singapore, Malaysia, Thailand and also in Mainland China. Retail business also developed very positively on the Middle and North American continent. In the past year, over 100 new retail stores were opened in strategic and best-frequented locations on so called „High Streets“, the majority of openings in Asia. Extremely volatile exchange rates, which caused significant price fluctuations in the markets, led to considerable uncertainty among third-party vendors and resulted in reduced sell-in, although sell-through is positive.

The strong shift in travel destinations caused a shift in the regional mix, which also reduced this segment's operating margin. However the latter, still amounted to 18.8% of net sales. Production, which is integrated into the Watches & Jewelry segment, reported good capacity utilization and slightly higher sales than the previous year, driven mainly by demand from the own brands. The new METAS certified antimagnetic Omega Co-Axial Globemaster collection, the Speedmaster 57 Vintage Dial, as well as the Swatch Sistem 51 were the year's main bestsellers and made a substantial contribution to the good sales results in local currency. Also, newly developed and distributed products in the sector of so-called smart watches such as the Swatch Touch Zero One and the Tissot T-Touch Expert Solar were very positively received by consumers.

In Production, Universo scaled up its new watch hand and index manufacturing in La Chaux-de-Fonds (Switzerland) and Rubattel & Weyermann, a producer of watch dials, has joined them at the same location. Also, the own foundry for internal precious metal processing was extended.

In 2015, the Electronic Systems segment generated practically unchanged net sales of CHF 292 million (-1.4%), although price pressure remaining very high, particularly in comparison to electronic consumer goods from Japan with the yen advantage. A very large proportion of sales in this segment were achieved with new products, which demonstrates not only the very strong innovative power of the segment but also that of Switzerland as a base for development and production. Also, integrated circuit technology in the smart and mobile device products sector was further developed. Renata, which is further strengthening its position as market leader in environmentally friendly batteries with the highest energy density, contributed significantly to this result. The Electronic Systems segment achieved an operating profit of CHF 9 million.

Personnel

Again in 2015, almost 700 new jobs were created, mainly in the retail sector, for new stores. Swatch Group also slightly increased the number of personnel employed domestically, despite the very difficult situation with regard to the production base Switzerland. As a result, the number of employees increased to over 36 000 at the end of 2015.

Training

The Swatch Group promotes vocational training at all levels and in all sectors, particularly for young people who wish to graduate as professional watchmakers or in related technical professions. In Switzerland, roughly 150 trainees were newly hired in various production and training facilities in the year under review. The number of trainees in Switzerland rose to approximately 470. Abroad, there are currently 160 trainees, of which Glashütte Original in Germany is training 90 apprentices. All 124 trainees who were in their final year in 2015 have successfully completed their training and 87% have started jobs within the Group.

Operating profit and net income

Due to the above-mentioned significant shifts in country mix, as well as a marked distortion of its international product pricing structure and the Swatch Group strategy of undertaking only very cautious price adjustments, as well as maintaining the same level of marketing investment, operating profit decreased 17.2% to CHF 1 451 million or an operating margin of 17.2%. Net income was adversely impacted by the strongly negative financial result coming from unfavorable interest and exchange rates, and closed at CHF 1 119 million, 21.0% lower than the previous year. This is equivalent to a net margin of 13.2%, compared to 16.3% in the previous year.

Investments

Across all segments, the Swatch Group invested a total of CHF 755 million in non-current operating assets in 2015. In addition to further expansion of its retail network, intensive investment was also made in production facilities. As well, significant investment was made in the area of customer service, both in Switzerland and in foreign distribution companies.

Cash Flow

In comparison to the previous year, excluding payments received from a legal case in early 2014, the Group generated a practically unchanged operating cash flow, despite the Swiss franc shock. Operating cash flow for the period under review was CHF 1 404 million, after tax payments of CHF 339 million.

Inventories

Inventories increased slightly in value since the beginning of the year and amounted to CHF 6.2 billion at the end of the year. The increase is exclusively attributable to the opening of new retail stores and to further investment in diamonds. The major portion of inventories is held of finished and semi-finished products for the 20 brands, particularly ready-for-sale products in the own retail stores.

Dividend proposal

The 2015 result and the current positive outlook for 2016 have prompted the Swatch Group Board of Directors to propose an unchanged dividend of CHF 7.50 per bearer share and CHF 1.50 per registered share at the Annual General Meeting on 11 May 2016.

Outlook for 2016

Group Management expects, despite the ongoing challenging environment in various regions, a sustainable development in sales in local currency in 2016, based on worldwide ongoing very good consumption demand for Swiss watches.

With its worldwide distribution network, the Group is in an excellent position to provide its customers with an array of products, even when tourist flows and consequently purchase locations suddenly change, as was often the case in the year under review. The number of patent applications increased again in the year under review, not only in the area of electronic smart and mobile device products, but also primarily for watches and watch movements. Not only new products from the 20 brands, but also all current brand models which benefit from ongoing demand, will contribute to a good year in 2016. Particularly the new METAS certified antimagnetic Omega Co-Axial Globemaster collection, as well as various Swatch watches such as the Swatch Bellamy, launched in China, with its contactless payment function, will generate very positive sales in China and other regions. Also, the Olympic Games in Rio de Janeiro, Brazil, which start in August, will give the Omega brand, the official Games timekeeper, an additional boost. Tissot, through its long-standing partnership with the NBA, the North American professional basketball league, has become the official timekeeper for the NBA, the women's basketball league WNBA and the NBA Development League, which will generate substantially increased sales for the brand, in both North American and worldwide markets.

Swatch Group, with its strong presence and pioneer role in countries such as China, Russia or India, will continue to generate dynamic growth in local currency in 2016. January 2016 confirms that particularly in mainland China, watch consumption rose strongly compared to the previous year, reason why, the Swatch Group expects growth of well over 5% in 2016 in local currency.

Next publications/events:

10.03.2016	Publication of the annual report 2015 Press and analyst conference
11.05.2016	Annual General Meeting, Grenchen
04.08.2016	Publication of 2016 half-year results

Original:	German
Translations:	English, French and Italian

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Consolidated Income Statement

	2015		2014	
	CHF million	%	CHF million	%
Net sales	8 451	100.0	8 709	100.0
Other operating income	103	1.2	231	2.6
Changes in inventories	255	3.0	397	4.6
Material purchases	- 2 001	- 23.7	- 2 240	- 25.7
Personnel expense	- 2 384	- 28.2	- 2 343	- 26.9
Depreciation on tangible assets	- 366	- 4.3	- 324	- 3.7
Amortization on intangible assets	- 38	- 0.4	- 34	- 0.4
Other operating expenses	- 2 569	- 30.4	- 2 644	- 30.4
Operating profit	1 451	17.2	1 752	20.1
Other financial income and expense	- 46	- 0.6	13	0.2
Interest expense	- 1	- 0.0	- 2	- 0.0
Share of result from associates and joint ventures	0	0.0	3	0.0
Ordinary result	1 404	16.6	1 766	20.3
Non-operating result	0	0.0	- 1	- 0.0
Extraordinary result	-	-	-	-
Profit before taxes	1 404	16.6	1 765	20.3
Income taxes	- 285	- 3.4	- 349	- 4.0
Net income	1 119	13.2	1 416	16.3
Attributable to equity holders of The Swatch Group Ltd	1 089		1 384	
Attributable to non-controlling interests	30		32	

Earnings per share (EPS) – expressed in CHF per share:

Registered shares	
Basic earnings per share	4.01
Diluted earnings per share	4.01
Bearer shares	
Basic earnings per share	20.07
Diluted earnings per share	20.05

Unaudited figures.

Consolidated Balance Sheet

Assets	31.12.2015		31.12.2014	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	1 280	9.6	1 202	9.4
Marketable securities and derivative financial instruments	388	2.9	263	2.1
Trade receivables	991	7.4	1 108	8.7
Other current assets	143	1.1	135	1.1
Inventories	6 151	46.4	5 943	46.6
Prepayments and accrued income	316	2.4	295	2.3
Total current assets	9 269	69.8	8 946	70.2
Non-current assets				
Property, plant and equipment	3 173	23.9	3 010	23.6
Intangible assets	151	1.1	150	1.2
Investments in associates and joint ventures	62	0.5	70	0.5
Other non-current assets	217	1.7	201	1.6
Deferred tax assets	398	3.0	370	2.9
Total non-current assets	4 001	30.2	3 801	29.8
Total assets	13 270	100.0	12 747	100.0

Unaudited figures.

Consolidated Balance Sheet

Equity and liabilities	31.12.2015		31.12.2014	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	13	0.1	35	0.3
Trade payables	367	2.8	371	2.9
Other liabilities	152	1.1	158	1.2
Provisions	86	0.6	83	0.7
Accrued expenses	604	4.6	661	5.2
Total current liabilities	1 222	9.2	1 308	10.3
Non-current liabilities				
Financial debts	34	0.2	38	0.3
Deferred tax liabilities	606	4.6	604	4.7
Retirement benefit obligations	36	0.3	38	0.3
Provisions	53	0.4	47	0.4
Accrued expenses	77	0.6	38	0.3
Total non-current liabilities	806	6.1	765	6.0
Total liabilities	2 028	15.3	2 073	16.3
Equity				
Share capital	125		125	
Capital reserves	- 1 006		- 1 037	
Treasury shares	- 329		- 301	
Goodwill recognized	- 1 372		- 1 372	
Translation differences	- 134		- 6	
Retained earnings	13 856		13 174	
Equity of The Swatch Group Ltd shareholders	11 140	83.9	10 583	83.0
Non-controlling interests	102	0.8	91	0.7
Total equity	11 242	84.7	10 674	83.7
Total equity and liabilities	13 270	100.0	12 747	100.0

Unaudited figures.

Consolidated Statement of Cash Flows

	2015	2014
	CHF million	CHF million
Operating activities		
Net income	1 119	1 416
Reversal of non-cash items	686	739
Changes in working capital and other items included in operating cash flow	- 70	92
Dividends received from associated companies	2	3
Interest received	7	28
Interest paid	- 1	- 2
Income tax paid	- 339	- 428
Cash flow from operating activities	1 404	1 848
Investing activities		
Investments in property, plant and equipment	- 602	- 1 040
Proceeds from sale of property, plant and equipment	13	4
Investments in intangible assets	- 47	- 48
Proceeds from sale of intangible assets	0	1
Investments in other non-current assets	- 106	- 115
Proceeds from sale of other non-current assets	3	2
Acquisition of subsidiaries – net of cash	-	- 4
Takeover of associated companies	14	-
Divestments of businesses	4	3
Purchase of marketable securities	- 241	- 187
Sale of marketable securities	126	262
Cash flow from investing activities	- 836	- 1 122
Financing activities		
Dividends paid to shareholders	- 407	- 407
Dividends paid to non-controlling interests	- 24	- 14
Purchase of treasury shares	- 28	- 107
Sale of treasury shares	1	78
Change in non-current financial debts	- 4	- 5
Change in current financial debts	0	- 1
Repurchase of non-controlling interests	- 1	-
Sale of non-controlling interests	11	-
Cash flow from financing activities	- 452	- 456
Net impact of foreign exchange rate differences on cash	- 38	24
Change in cash and cash equivalents	78	294
Change in cash and cash equivalents		
– At beginning of year	1 202	908
– At end of year	1 280	1 202
	78	294

Unaudited figures.

Segment Information

(CHF million)	2015			2014		
	Third parties	Group	Total	Third parties	Group	Total
Net sales						
Watches & Jewelry	8 175	2	8 177	8 428	1	8 429
Electronic Systems	270	22	292	274	22	296
Corporate	6	6	12	7	6	13
Elimination		- 30	- 30		- 29	- 29
Total	8 451	-	8 451	8 709	-	8 709

(CHF million)	2015		2014	
	Total	% of net sales	Total	% of net sales
Operating result				
Watches & Jewelry	1 539	18.8%	1 860	22.1%
Electronic Systems	9	3.1%	- 9	- 3.0%
Corporate	- 97		- 99	
Total	1 451	17.2%	1 752	20.1%

Unaudited figures.

Statistical Information

	2015		2014	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	119 847 161	120 069 686	119 894 096	120 124 683
Average number of bearer shares outstanding	30 308 846	30 308 846	30 320 769	30 320 769

Key data per registered share (nom. CHF 0.45) in CHF

Consolidated net income	4.01	4.01	5.10	5.09
Cash flow from operating activities	5.17	5.17	6.81	6.80
Consolidated shareholders' equity	41.42	41.39	39.32	39.28
Dividend	1.50 ¹⁾	1.50 ¹⁾	1.50	1.50
Price/earnings ratio	17.0	17.0	16.9	16.9

Key data per bearer share (nom. CHF 2.25) in CHF

Consolidated net income	20.07	20.05	25.49	25.47
Cash flow from operating activities	25.87	25.85	34.03	34.00
Consolidated shareholders' equity	207.12	206.95	196.58	196.41
Dividend	7.50 ¹⁾	7.50 ¹⁾	7.50	7.50
Price/earnings ratio	17.4	17.5	17.4	17.4

Share capital in CHF	125 210 250	125 210 250	125 210 250	125 210 250
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¹⁾ Board of Directors' proposal.

Unaudited figures.