

PRESS RELEASE
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Swatch Group: Improved 2008 gross sales in a more challenging environment

- Watch and jewelry sales increased in 2008 by a further +6.6% at constant rates (+1.8% in CHF terms) following an extremely strong growth in 2007 over 2006.
- Total Group gross sales in 2008 up 4.3% in local currencies, up 0.4% in Swiss Francs to CHF 5 966 million, even after divestments of automotive components producers in the Electronic Systems segment and currency losses of CHF 233 million.
- The Group's core business, the segments Watches & Jewelry and Production, excluding Electronic Systems, accounted for an increase of 6.5% at constant rates and 2.2% in CHF terms.
- Solid growth in the watch, movement and component production segment, with gross sales increasing by 7.7% at constant rates (7.5% in CHF) to CHF 1 810 million
- Reduced exposure in the Electronic Systems segment after divestments and following a very challenging market environment, resulting in a total sales decrease of -15.9%.
- Cautious but not pessimistic outlook for the next few months due to the on-going financial turmoil, however no expectation of a disastrous development. A decrease in the first three to four months compared to the very high previous year figures indicates a rather manageable recession. A mild increase in consumption and sales for 2009 is expected, because of an anticipated rebound in the second half of 2009.

Key Figures Sales

(CHF million)	2008	2007	Change in %		Total
			at constant rates	currency effect	
Gross sales					
Watches & Jewelry	4 796	4 710	+6.6%	-4.8%	+1.8%
Production	1 810	1 684	+7.7%	-0.2%	+7.5%
Electronic Systems	530	630	-15.1%	-0.8%	-15.9%
Corporate and elimination	-1 170	-1 083			
Total Gross sales	5 966	5 941	+4.3%	-3.9%	+0.4%
Total Net sales	5 677	5 646			+0.5%

Group Overview

After a promising start in 2008 with further strong growth, the year under review turned out to be more challenging. The turmoil and enormous destruction of wealth in the financial markets worldwide infected the economies of many countries, leading to cautious reactions mainly at wholesale level and in some parts of the world to a noticeable drop in watch demand in the last two months of 2008.

Despite these difficult and exceptional circumstances, the Swatch Group was able to increase overall gross sales by 4.3% at constant exchange rates. Foreign currencies were extremely volatile and ultimately had a total unfavorable impact on Group sales of CHF 233 million or -3.9%. In particular the Euro and British Pound, but also the USD and other dollar-related currencies weakened considerably against the Swiss Franc. Only the Yen regained some ground in 2008.

The gross sales figure of CHF 5 966 million topped prior year's record result after a period of very strong sales growth between 2006 and 2007, resulting in growth of 22% over a two-year period. Once again, the Group's core business activities, the segments Watches & Jewelry as well as Production, continued to be the main driving and growth factors.

The strategic move to reduce the exposure to non-core business activities such as components for the automotive industry, already initiated in 2007, proved to be a wise and timely decision. The Electronic Systems segment suffered from the difficult market conditions in other areas such as the telephone, automotive and machine industries.

Watches and Jewelry

(CHF million)	2008	2007	Change in %		Total
			at constant rates	currency effect	
Total Gross sales	4 796	4 710	+ 6.6%	- 4.8%	+ 1.8%
Total Net sales	4 547	4 456			+ 1.9%

In 2008, all price categories of the Watches & Jewelry segment reported higher sales in local currencies than in the very strong year 2007. Compared to 2006, the increase amounted even to 28% at constant rates. A noticeable drop in demand in the last months of 2008 mainly at wholesale level reduced the momentum in most brands and markets. Even the luxury brands could not entirely escape this unfavorable trend.

The Group continued to selectively expand its retail activities. This move confirms that the Group believes in the long-term growth of the retail business and its strategy to further expand this field of activities. This positioning with strong visual presence in premier retail locations will continue to pay off in the short as well as in the long term. Already in 2008, our own retail business activities performed considerably better than the wholesale activities. Certain third-party agents and retailers, due to their cautious outlook and in some cases reduced financing capabilities, were to a certain degree more reluctant than in the past to buy in order to satisfy the needs of their clients.

Some countries in Asia, in particular China, and in the Middle East posted double-digit sales growth. The development in Europe and America was more modest, with recession fears starting to weigh on consumer confidence in several countries and markets towards the end of 2008. The slowdown was more acute in the USA in the last few months of 2008, which was offset to a certain degree in other growth markets. In local currencies, however, sales figures for the full year in many areas continued to be remarkable.

Production

(CHF million)	2008	2007	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	659	625	+ 5.6%	– 0.2%	+ 5.4%
– Group	1 151	1 059	+ 8.7%		+ 8.7%
Total Gross sales	1 810	1 684	+ 7.7%	– 0.2%	+ 7.5%
Total Net sales	1 742	1 624			+ 7.3%

The continuing rise in demand for watch movements and components led to a further sales increase, with the Production segment posting gross sales of CHF 1 810 million in 2008, an increase of 7.7% at constant rates versus the strong previous year. The highly integrated, efficient production capabilities were much sought after by internal as well as external customers. Production capacities were in particular strongly utilized to cope with increased demand for Swatch, Flik Flak and special calibers financed by our own Group brand companies. The progress made is also due to important investments in optimizing many production steps. As a result of a continued strong demand, all production companies and in particular ETA and Nivarox contributed with very healthy sales increases to this excellent segment result.

The investments made in the past significantly reduced the existing bottlenecks and expanded production capacities. However, bottlenecks experienced during the past year are still substantial. A survey of internal and external clients revealed a continued high demand. Therefore, in some areas still more efforts are required to be able to serve all third-party customers' requirements as well as the needs of the Group's own brands in a flexible manner. Especially for expensive watch models, it is still difficult to deliver all backorders in time.

The current order books continue to be on high levels and indicate a positive development of the Production segment.

Electronic Systems

(CHF million)	2008	2007	Change in %		Total
			at constant rates	currency effect	
Gross sales					
– Third parties	505	601	– 15.2%	– 0.8%	– 16.0%
– Group	25	29	– 13.8%		– 13.8%
Total Gross sales	530	630	– 15.1%	– 0.8%	– 15.9%
Total Net sales	526	623			– 15.6%

With the divestment of the Group companies Sokymat Automotive GmbH (Germany) and Michel Präzisionstechnik AG (Switzerland) in the second half of 2008, the Group significantly reduced its exposure to the hard-hit automotive industry. This strategic move, already decided in 2007, before any signs of industry recession, underpins the Group's focus on its core activities. Adjusted by the two divestments, the Electronic Systems segment gross sales decreased by 12.9%.

The changed market environment for the Electronic Systems segment, with a strongly impacted automobile sector and a slump in demand for mobile phones, led to this distinct reduction in gross sales.

Outlook 2009

The Board of Directors and the Executive Group Management Board are strongly committed to the Group's clear, healthy growth strategy of broad geographical presence in all main markets of the world, its unprecedented positioning in all market price segments as well as its reliance on its highly integrated production and product development capabilities with its innovative research and technical know-how. In addition, the Group runs a very extensive and efficient distribution system in all important world markets with its own local management close to the end-consumers. The solid balance sheet and the past experience of more difficult market conditions are other key assets in this period. Over the years the Group has developed and steadily trained a high cost-consciousness and operates a dynamic pro-active style of decision taking adopting swiftly to new circumstances, conditions and opportunities.

Therefore, even though the Group anticipates a challenging environment particularly in the first months of the year 2009 and it expects that the confidence at the international level can be restored in the second part of the year, modest growth in 2009 over 2008 is our realistic expectation and planning. The Group will take advantage of interesting opportunities to gain market share and further strengthen its global presence. This fundamental confidence and the long term perspective of the Group is underpinned by the daily monitoring of continued consumer demand experienced in our own retail stores as well as the current size of the order books. January 2009 sales as well as orders for February and March confirm steady improvement in every month versus the trend of November and December 2008. It should be noted that the beginning of 2009 has to be compared with extremely successful record first months in 2008.

Next publications/events:

18.03.2009	Media Conference / Publication of Key Figures and Annual Report 2008
15.05.2009	Annual General Meeting
20.08.2009	Publication of 2009 Half-year Results

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