

PRESS RELEASE
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SWATCH GROUP: KEY FIGURES 2008

- Gross sales of CHF 5 966 million topped prior year's record, despite a record negative currency impact of CHF 233 million
- Operating profit reaches CHF 1 202 million or 21.2% on net sales (versus 21.9% in 2007), only marginally lower than in 2007
- Net income amounts to CHF 838 million (CHF 1 015 million in 2007), despite further currency losses and a negative financial result
- Substantial equity of CHF 5.5 billion or 75.3% of total balance sheet (versus 71.5% in the prior year)
- Unchanged dividend 2008 proposed: per registered share CHF 0.85, per bearer share CHF 4.25
- Cautious but not pessimistic outlook for the first months 2009, an improvement anticipated in the second half of 2009

Following publication of sales figures on 29 January 2009, 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 18 March 2009.

Group Key Figures

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales	5 966	5 941	+4.3%	-3.9%	+0.4%
Net sales	5 677	5 646			+0.5%
Operating profit	1 202	1 236			-2.7%
- in % of net sales	21.2%	21.9%			
Net income	838	1 015			-17.4%
- in % of net sales	14.8%	18.0%			
Equity	5 451	5 329			+2.3%
- as % of total assets	75.3%	71.5%			
Average return on equity (ROE)	15.5%	19.7%			

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, gross sales increased by 4.3% in local currencies to CHF 5 966 million. Foreign currencies were extremely volatile and ultimately had an unfavorable impact on Group sales of CHF 233 million. This reduced the sales growth to 0.4% in Swiss franc terms, which represents another record year in terms of sales.

The operating margin decreased only slightly, from 21.9% to 21.2% in 2008, despite an exceptional and substantial marketing investment for the Olympic Games in Beijing, corresponding to an operating profit of CHF 1 202 million. Due to a negative financial result, net income decreased by 17.4% to CHF 838 million.

Group equity remains very solid at CHF 5 451 million, which equates to an improved equity ratio of 75.3% as at 31 December 2008 compared to 71.5% in the previous year. The average return on equity was 15.5%.

The Board of Directors of the Swatch Group agreed to propose an unchanged dividend for 2008 to the Annual General Meeting on 15 May 2009. This corresponds to CHF 0.85 per registered share and CHF 4.25 per bearer share. The dividend proposal underscores the Board's confidence that market conditions should improve by the end of 2009.

Watches & Jewelry

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	4 794	4 710			
– Group	2	0			
– Total	4 796	4 710	+6.6%	–4.8%	+1.8%
Net sales	4 547	4 456			+1.9%
Operating profit	828	920			–10.0%
– in % of net sales	18.2%	20.6%			

In 2008, all price categories of the Watches & Jewelry segment reported higher sales in local currencies than in the very strong year 2007. 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.

Operating profit in this segment saw a decrease to CHF 828 million, which represents an operating margin of 18.2% (compared to 20.6% in 2007). Operating margins remained strong in the first half of the year, but were impacted in the second half of 2008 mainly by additional marketing cost in connection with the Olympic summer games in Beijing with its positive medium and long term impact. However, despite the crisis on the financial markets worldwide and in order to encourage the Group's long-term growth, marketing spend was increased and retail activities were further expanded in strategic key locations.

Production

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	659	625			
– Group	1 151	1 059			
– Total	1 810	1 684	+ 7.7%	– 0.2%	+ 7.5%
Net sales	1 742	1 624			+ 7.3%
Operating profit	281	235			+ 19.6%
– in % of net sales	16.1%	14.5%			

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. Despite a more challenging environment at the end of 2008, the current order books continue to be on high levels. Virtually no cancellations of orders had to be registered.

Given the strong demand from internal and external customers, production ran at full capacity in 2008. This enabled the profitability of the segment to once again increase considerably. The strong rise to an operative margin of 16.1% was mainly driven by increased volumes. Also, the high utilization of production facilities and, once again, a more favorable product mix towards high-end watch movements helped to further improve the operating margin. Another contributing factor was the Group's ongoing enforcement of rigorous cost control.

Electronic Systems

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	505	601			
– Group	25	29			
– Total	530	630	– 15.1%	– 0.8%	– 15.9%
Net sales	526	623			– 15.6%
Operating profit	104	99			+ 5.1%
– in % of net sales	19.8%	15.9%			

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 substantial reduction in gross sales.

The segment's operating profit reached CHF 104 million in the year under review, which represents an operating margin of 19.8%. This includes the gains on disposal of two Group companies. Excluding these gains, the operating margin for 2008 was similar to the operating margin reported for the first half of the year 2008. Nevertheless, lower capacity utilization and ongoing price pressure on electronic components continued to impact the segment performance during 2008. The difficult economic environment, with fewer orders on hand and lower visibility, forced some companies to cut back temporary staff and reduce working hours.

Outlook for 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. It should be noted that the beginning of 2009 has to be compared with extremely successful record first months in 2008.

Next publications:

18.03.2009	Media and analyst conference on 2008 results, Geneva Publication of the annual report on our website www.swatchgroup.com
15.05.2009	Annual General Meeting, Biel
20.08.2009	Publication of 2009 half-year results

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CONTACTS

Investors

Edgar Geiser, CFO, and Thomas Dürr, Corporate Treasurer
The Swatch Group Ltd, Biel/Bienne
Tel. +41 32 343 68 11, fax +41 32 343 69 16
e-mail: investor.relations@swatchgroup.com

Media

Béatrice Howald, Spokesperson
The Swatch Group Ltd, Biel/Bienne
Tel. +41 32 343 68 33, fax +41 32 343 69 22
e-mail: press@swatchgroup.com

Consolidated Income Statement (Condensed)

	2008		2007	
	CHF million	%	CHF million	%
Gross sales	5 966	105.1	5 941	105.2
Sales reductions	-289	-5.1	-295	-5.2
Net sales	5 677	100.0	5 646	100.0
Other operating income	231	4.1	91	1.6
Changes in inventories	513	9.0	398	7.1
Operating expenses	-4 999	-88.0	-4 695	-83.2
Depreciation, amortization and impairment charges	-220	-3.9	-204	-3.6
Operating profit	1 202	21.2	1 236	21.9
Net financial result	-196	-3.5	37	0.6
Result before taxes	1 006	17.7	1 273	22.5
Income taxes	-168	-2.9	-258	-4.5
Net income	838	14.8	1 015	18.0
Attributable to equity holders of The Swatch Group Ltd	834		1 011	
Attributable to minority interests	4		4	

Unaudited figures.

Consolidated Balance Sheet (Condensed)

	31.12.2008		31.12.2007	
	CHF million	%	CHF million	%
Assets				
Non-current assets	2 248	31.1	1 968	26.4
- Inventories	2 738	37.8	2 273	30.5
- Trade receivables	733	10.1	875	11.8
- Other current assets	1 516	21.0	2 331	31.3
Current assets	4 987	68.9	5 479	73.6
Total assets	7 235	100.0	7 447	100.0
Equity and liabilities				
Equity	5 451	75.3	5 329	71.5
- Non-current liabilities	882	12.2	929	12.5
- Current liabilities	902	12.5	1 189	16.0
Total liabilities	1 784	24.7	2 118	28.5
Total equity and liabilities	7 235	100.0	7 447	100.0

Unaudited figures.

Consolidated Statement of Cash Flows (Condensed)

	2008		2007
	CHF million		CHF million
Operating activities			
Net income	838		1 015
Depreciation and impairment charge	220		204
Fair value result/ interests	188		14
Changes in working capital	-479		-360
Taxes	-165		-7
Divestment gain, pensions, provisions and other items	-91		9
Cash flow from operating activities	511		875
Investing activities			
Investments in non-current assets	-336		-403
Proceeds from sale of non-current assets	9		7
Purchase/ sale of marketable securities	-160		-167
Investments in subsidiaries and associates	-99		-8
Divestments of businesses and deconsolidations	88		0
Cash flow from investing activities	-498		-571
Financing activities			
Dividends paid	-226		-196
Purchase/ sale of treasury shares	-360		-460
Change in non-current borrowings	-6		-1
Change in current borrowings	15		-35
Repurchase of convertible bonds	-21		0
Cash flow from financing activities	-598		-692
Net impact of foreign exchange rate differences on cash	-19		6
Change in cash and cash equivalents	-604		-382
Change in cash and cash equivalents			
- At beginning of year	1 284		1 666
- At end of year	680	-604	1 284
		-382	

Unaudited figures.

Segment Information

(CHF million)	2008			2007		
	Third	Group	Total	Third	Group	Total
Gross sales						
Watches & Jewelry	4 794	2	4 796	4 710		4 710
Production	659	1 151	1 810	625	1 059	1 684
Electronic Systems	505	25	530	601	29	630
Corporate and elimination	8	-1 178	-1 170	5	-1 088	-1 083
Total	5 966	0	5 966	5 941	0	5 941
Net sales						
Watches & Jewelry	4 545	2	4 547	4 456		4 456
Production	624	1 118	1 742	591	1 033	1 624
Electronic Systems	501	25	526	594	29	623
Corporate and elimination	7	-1 145	-1 138	5	-1 062	-1 057
Total	5 677	0	5 677	5 646	0	5 646
Operating profit						
		% of sales	% of Total		% of sales	% of Total
Watches & Jewelry	828	18.2%	68.9%	920	20.6%	74.4%
Production	281	16.1%	23.4%	235	14.5%	19.0%
Electronic Systems	104	19.8%	8.6%	99	15.9%	8.0%
Corporate and elimination	-11		-0.9%	-18		-1.4%
Total	1 202	21.2%	100.0%	1 236	21.9%	100.0%

Unaudited figures.

Statistical Information

	2008		2007	
	Basic	Diluted	Basic	Diluted
Average number of registered shares outstanding	111 605 632	120 203 642	115 882 234	124 474 721
Average number of bearer shares outstanding	30 596 542	30 596 542	31 485 875	31 485 875
Key data per registered share (nom. CHF 0.45) in CHF				
Consolidated net income	3.15	3.10	3.70	3.64
Cash flow from operating activities	1.93	1.87	3.20	3.10
Consolidated shareholders' equity	20.55	19.90	19.43	18.83
Dividend	0.85 ¹⁾	0.85 ¹⁾	0.85	0.85
Price/earnings ratio	9.0	9.2	18.1	18.4
Key data per bearer share (nom. CHF 2.25) in CHF				
Consolidated net income	15.75	15.51	18.49	18.18
Cash flow from operating activities	9.67	9.36	16.01	15.52
Consolidated shareholders' equity	102.73	99.49	97.13	94.17
Dividend	4.25 ¹⁾	4.25 ¹⁾	4.25	4.25
Price/earnings ratio	9.3	9.4	18.5	18.8
Share capital in CHF	125 210 250	125 210 250	128 880 000	128 880 000

¹⁾ Board of Directors' proposal

Unaudited figures.