

LETTER TO SHAREHOLDERS

BIEL/BIENNE, 28 JULY 2011

## HALF-YEAR REPORT 2011: SWATCH GROUP - AGAIN WITH RECORD SALES AND PROFIT

- Sales in the Watches & Jewelry segment, despite capacity bottlenecks, grew a strong +27.4% at constant rates or +13.3% at current rates, to CHF 2 913 million.
- Gross sales for the Group of CHF 3 362 million exceed the record half year 2010 by +24.2% at constant rates and +11.4% at current rates<sup>1)</sup>.
- Strongly overvalued Swiss franc leads to a negative currency impact on sales of CHF 387 million at 2010 rates.
- Record operating profit of CHF 756 million (+20.8%), with an operating margin of 23.7% (21.8% in 2010).
- Net income of CHF 579 million up +24.5% versus the record half year 2010, representing 18.2% of net sales (16.2% in 2010).
- Positive outlook in local currency. Continuing strong growth in all segments and regions, which is constrained by uncurbed speculation in the Swiss franc.

### Evolution of gross sales

(CHF million)	1st half	1st half	Change in %			1st half
	2011	2010 restated <sup>2)</sup>	at constant rates	currency effect	Total	as reported
<b>Gross sales</b>						
Watches & Jewelry	2 913	2 572	+ 27.4%	- 14.1%	+ 13.3%	2 572
Production	964	753	+ 28.5%	- 0.5%	+ 28.0%	761
Electronic Systems	186	207	+ 0.8%	- 10.9%	- 10.1%	207
Corporate and elimination	- 701	- 501				- 509
<b>Total gross sales</b>	<b>3 362</b>	<b>3 031</b>	<b>+ 23.7%</b>	<b>- 12.8%</b>	<b>+ 10.9%</b>	<b>3 031</b>
<b>Total gross sales, adjusted<sup>1)</sup></b>	<b>3 362</b>	<b>3 017</b>	<b>+ 24.2%</b>	<b>- 12.8%</b>	<b>+ 11.4%</b>	<b>3 031</b>

<sup>1)</sup> on a comparative basis, excluding Lasag and the step motor activity of Microcomponents

<sup>2)</sup> restated following changes in Group structure and adjustments to segment information (refer to Note 3, page 12)

## GROUP OVERVIEW

### Group Key Figures

(CHF million)	1st half 2011	1st half 2010	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales, adjusted<sup>1)</sup></b>	<b>3 362</b>	3 017	+24.2%	-12.8%	+11.4%
<b>Gross sales</b>	<b>3 362</b>	3 031	+23.7%	-12.8%	+10.9%
<b>Net sales</b>	<b>3 187</b>	2 871			+11.0%
<b>Operating profit</b>	<b>756</b>	626			+20.8%
– in % of net sales	<b>23.7%</b>	21.8%			
<b>Net income</b>	<b>579</b>	465			+24.5%
– in % of net sales	<b>18.2%</b>	16.2%			
Investment in non-current assets	<b>174</b>	138			
Equity, 30 June	<b>7 303</b>	6 236			
Market capitalization, 30 June	<b>22 435</b>	16 337			
Annualized return on equity (ROE)	<b>16.1%</b>	15.2%			
Basic earnings per share (EPS) – expressed in CHF per share:					
– Registered shares	<b>2.13</b>	1.76			
– Bearer shares	<b>10.64</b>	8.80			

<sup>1)</sup> on a comparative basis, excluding Lasag and the step motor activity of Microcomponents

Unaudited figures.

The global leader in the watch industry, with its 19 brands, grew by a strong +24.2% at constant rates and on a comparative basis, generating gross sales of CHF 3 362 million in the first half of 2011. This very positive growth spanned all major regions and all price segments. Key contributory factors included not only a combination of strong brands and expansion of the distribution and retail network, but also the Production segment, which increased its gross sales by a massive +28.5% at constant rates. Investments were made on an ongoing basis in a bid to reduce production bottlenecks and there are plans to increase capacity further.

The continuing overvaluation of the Swiss franc, in particular against the USD and the EUR, adversely impacted gross sales by CHF 387 million or -12.8% versus 2010. The overvalued Swiss franc reduces margins at the Group's foreign distribution companies, while the high volatility makes exchange-rate related price adjustments difficult. The strength and volatility of the Swiss franc have to be considered as extremely problematic for Switzerland.

Despite these negative currency effects and the general rise in commodity prices, the Group succeeded in increasing profitability in the first half of 2011, thanks to a motivated and cost-conscious workforce. Operating profit grew by +20.8% to CHF 756 million. Net income grew even more, by +24.5% to CHF 579 million. The Group generated total operating cash flow for the period of CHF 362 million.

## Outlook

The outlook for the Group in the second half of the year remains promising, particularly given the fact that July is confirming the trend in sales and results of the first half. The Group will continue to consolidate its global market presence and invest further in production capacities and staff training in order to maintain its strategy of healthy and sustainable growth. Continuing strong growth and the positive outlook in local currency will, however, be hampered by uncurbed speculation in the Swiss franc. This will further negatively impact sales growth as well as operating profit and net income.

The long-term policy of the Swatch Group is and always will be to win market share. Even in the current difficult exchange rate situation with the strongly overvalued Swiss franc, this successful strategy will be maintained.

## WATCHES & JEWELRY

(CHF million)	1st half	1st half	Change in %		Total	1st half 2010 as reported
	2011	2010 restated <sup>1)</sup>	at constant rates	currency effect		
<b>Gross sales</b>						
– Third parties	2 912	2 570				2 570
– Group	1	2				2
– Total	2 913	2 572	+27.4%	–14.1%	+13.3%	2 572
<b>Net sales</b>						
– Third parties	2 748	2 425				2 425
– Group	1	2				2
– Total	2 749	2 427			+13.3%	2 427
<b>Operating profit</b>						
	621	559			+11.1%	547
– in % of net sales	22.6%	23.0%				22.5%

<sup>1)</sup> restated following changes in Group structure and adjustments to segment information (refer to Note 3, page 12)

Unaudited figures.

Gross sales in the Watches & Jewelry segment rose in the first half year 2011 by +27.4% at constant rates and in comparison with the high benchmark 2010 to a total of CHF 2 913 million, or +13.3% at current rates. Compared to 2009 sales and exchange rates, growth was even greater, at +69.8%. The strong growth versus 2010, which was again reported across all segments and regions and underpinned by the extensive retail network and retail activities, again surpasses the export figures published by the Federation of the Swiss Watch Industry.

Despite higher commodity prices and negative currency effects, operating profit grew by +11.1% to CHF 621 million, largely due to factors related to product mix and increased volumes. Lower sales as a result of events such as the disaster in Japan or the economic crisis in Greece and other countries were more than offset by sales in other regions where the Group operates.

In May 2011, the Group acquired a 33.3% stake in Alzouman General Trading Co. Ltd. in Saudi Arabia. The company is a sole distributor of the Swatch and Flik Flak brands through its 100-plus proprietary boutiques in prime locations in Saudi Arabia. This acquisition by the Swatch Group underlines its presence in the region and opens up new opportunities for further expansion.

## PRODUCTION

(CHF million)	1st half	1st half	Change in %		Total	1st half
	2011	2010	at constant	currency		as reported
		restated <sup>1)</sup>	rates	effect		
<b>Gross sales</b>						
– Third parties	275	259				259
– Group	689	494				502
– Total	964	753	+28.5%	–0.5%	+28.0%	761
<b>Net sales</b>						
– Third parties	265	247				247
– Group	676	479				488
– Total	941	726			+29.6%	735
<b>Operating profit</b>	153	77			+98.7%	65
– in % of net sales	16.3%	10.6%				8.8%

<sup>1)</sup> restated following changes in Group structure and adjustments to segment information (refer to Note 3, page 12)

Unaudited figures.

Gross sales in the Production segment for watches, watch movements and components rose by +28.5% to CHF 964 million, at constant rates. This record result was achieved despite capacity bottlenecks. There are still substantial delivery backlogs for watch movements, hands and dials. Measures initiated to increase capacity will drive further long-term growth in this segment.

Operating profit rose by +98.7% to CHF 153 million, with an operating margin of 16.3% versus 10.6% in the first half of 2010. This impressive increase was largely due to the surge in volumes and high capacity utilization as well as efficiency and quality improvements. In addition, on 19 January 2011, the segment acquired Novi SA in the canton of Jura (Switzerland), a company specialized in the assembly of high-quality watch movements and finished watches.

Initiated by the Swatch Group, the Swiss Competition Commission (COMCO) launched an investigation on 8 June 2011 in order to define which mutually agreed solution would allow the Swatch Group to gradually reduce deliveries of mechanical watch movements and assortments to third parties, this in view of the interest of the entire watch industry.

With order books full, the segment also expects a strong second half year.

## ELECTRONIC SYSTEMS

(CHF million)	1st half	1st half	Change in %			1st half
	2011	2010	at constant	currency	Total	2010
		restated <sup>2)</sup>	rates	effect		as reported
<b>Gross sales, adjusted<sup>1)</sup></b>	<b>186</b>	192	+8.7%	-11.8%	-3.1%	207
<b>Gross sales</b>						
- Third parties	171	198				198
- Group	15	9				9
- Total	<b>186</b>	207	+0.8%	-10.9%	-10.1%	207
<b>Net sales</b>						
- Third parties	170	196				196
- Group	15	9				9
- Total	<b>185</b>	205			-9.8%	205
<b>Operating profit</b>	<b>15</b>	23			-34.8%	20
- in % of net sales	<b>8.1%</b>	11.2%				9.8%

<sup>1)</sup> on a comparative basis, excluding Lasag and the step motor activity of Microcomponents

<sup>2)</sup> restated following changes in Group structure and adjustments to segment information (refer to Note 3, page 12)

Unaudited figures.

This segment achieved sales growth of +8.7% on a comparative basis and at constant rates. The Electronic Systems segment is heavily exposed to the exchange rate of the USD, which is the standard currency for business transactions in this market. The loss on sales due to the strong Swiss franc amounted to CHF 23 million or -11.8% versus 2010.

The segment generated an operating result of CHF 15 million, primarily due to the change in product mix. Orders remain at a healthy level, albeit mainly dependent on the USD, with the result that gross sales and operating profit for the second half of 2011 will remain on a par with the first half, unless there is a recovery in exchange rates.

## Interim Consolidated Financial Statements

### CONDENSED INCOME STATEMENT

	1st half 2011		1st half 2010	
	CHF million	%	CHF million	%
Gross sales	3 362	105.5	3 031	105.6
Sales reductions	-175	-5.5	-160	-5.6
<b>Net sales</b>	<b>3 187</b>	<b>100.0</b>	<b>2 871</b>	<b>100.0</b>
Other operating income	35	1.1	94	3.3
Changes in inventories	349	10.9	112	3.9
Operating expenses	-2 704	-84.8	-2 340	-81.5
Depreciation, amortization and impairment charges	-111	-3.5	-111	-3.9
<b>Operating profit</b>	<b>756</b>	<b>23.7</b>	<b>626</b>	<b>21.8</b>
Net financial result	-17	-0.5	-24	-0.8
<b>Profit before taxes</b>	<b>739</b>	<b>23.2</b>	<b>602</b>	<b>21.0</b>
Income taxes	-160	-5.0	-137	-4.8
<b>Net income</b>	<b>579</b>	<b>18.2</b>	<b>465</b>	<b>16.2</b>
Attributable to equity holders of The Swatch Group Ltd	575		462	
Attributable to non-controlling interests	4		3	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>				
<b>Registered shares</b>				
Basic earnings per share	2.13		1.76	
Diluted earnings per share	2.13		1.73	
<b>Bearer shares</b>				
Basic earnings per share	10.64		8.80	
Diluted earnings per share	10.64		8.65	

Unaudited figures.

## Interim Consolidated Financial Statements

### STATEMENT OF COMPREHENSIVE INCOME

	1st half 2011	1st half 2010
	CHF million	CHF million
<b>Net income</b>	<b>579</b>	<b>465</b>
<b>Other comprehensive income</b>		
Currency translation of foreign operations	-99	-6
Income tax relating to currency translation	0	0
<b>Other comprehensive income, net of tax</b>	<b>-99</b>	<b>-6</b>
<b>Total comprehensive income, net of tax</b>	<b>480</b>	<b>459</b>
Attributable to:		
Equity holders of The Swatch Group Ltd	477	456
Non-controlling interests	3	3

Unaudited figures.

## Interim Consolidated Financial Statements

### CONDENSED BALANCE SHEET

Assets	30.06.2011		31.12.2010	
	CHF million	%	CHF million	%
Property, plant and equipment	1 547	17.5	1 529	17.8
Intangible assets	324	3.7	317	3.7
Other non-current assets	575	6.5	533	6.1
<b>Total non-current assets</b>	<b>2 446</b>	<b>27.7</b>	<b>2 379</b>	<b>27.6</b>
Inventories	3 173	35.9	2 869	33.3
Trade receivables	738	8.3	716	8.3
Other current assets	852	9.6	823	9.6
Cash and cash equivalents	1 636	18.5	1 827	21.2
<b>Total current assets</b>	<b>6 399</b>	<b>72.3</b>	<b>6 235</b>	<b>72.4</b>
<b>Total assets</b>	<b>8 845</b>	<b>100.0</b>	<b>8 614</b>	<b>100.0</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>7 303</b>	<b>82.6</b>	<b>7 101</b>	<b>82.4</b>
Provisions	35	0.4	37	0.4
Financial debts	67	0.8	77	0.9
Other non-current liabilities	392	4.4	379	4.4
<b>Total non-current liabilities</b>	<b>494</b>	<b>5.6</b>	<b>493</b>	<b>5.7</b>
Provisions	60	0.6	63	0.7
Financial debts and derivative financial instruments	17	0.2	31	0.4
Other current liabilities	971	11.0	926	10.8
<b>Total current liabilities</b>	<b>1 048</b>	<b>11.8</b>	<b>1 020</b>	<b>11.9</b>
<b>Total liabilities</b>	<b>1 542</b>	<b>17.4</b>	<b>1 513</b>	<b>17.6</b>
<b>Total equity and liabilities</b>	<b>8 845</b>	<b>100.0</b>	<b>8 614</b>	<b>100.0</b>

Unaudited figures.

## Interim Consolidated Financial Statements

### CONDENSED STATEMENT OF CASH FLOWS

	1st half 2011	1st half 2010
	CHF million	CHF million
<b>Operating activities</b>		
Net income	579	465
Reversal of non-cash items	267	283
Changes in working capital and other items included in operating cash flow	-330	13
Dividends received from associated companies	2	2
Net interest received / (paid)	3	1
Income tax paid	-159	-131
<b>Cash flow from operating activities</b>	<b>362</b>	<b>633</b>
<b>Investing activities</b>		
Investments in non-current assets	-174	-138
Proceeds from sale of non-current assets	3	6
Purchase / sale of marketable securities	-32	-35
Investments in subsidiaries, associates and joint ventures	-31	-14
Divestment of businesses	0	4
<b>Cash flow from investing activities</b>	<b>-234</b>	<b>-177</b>
<b>Financing activities</b>		
Dividends paid	-270	-210
Purchase of treasury shares	-13	0
Change in non-current borrowings	-4	-4
Change in current borrowings	-12	-4
<b>Cash flow from financing activities</b>	<b>-299</b>	<b>-218</b>
<b>Net impact of foreign exchange rate differences on cash</b>	<b>-18</b>	<b>-2</b>
<b>Change in cash and cash equivalents</b>	<b>-189</b>	<b>236</b>
<b>Change in cash and cash equivalents</b>		
- at beginning of year	1 825	1 098
- at 30 June	1 636	1 334
	-189	236

Unaudited figures.

## Interim Consolidated Financial Statements

### STATEMENT OF CHANGES IN EQUITY

(CHF million)	Attributable to The Swatch Group Ltd shareholders					Total	Non-con- trolling interests	Total equity
	Share capital	Capital reserves	Treasury shares	Other reserves	Retained earnings			
<b>Balance at 31.12.2009</b>	<b>125</b>	<b>213</b>	<b>-629</b>	<b>-133</b>	<b>6 389</b>	<b>5 965</b>	<b>16</b>	<b>5 981</b>
<b>Total comprehensive income 1st half 2010</b>				<b>-6</b>	<b>462</b>	<b>456</b>	<b>3</b>	<b>459</b>
Dividend paid					-210	-210		-210
Share based compensation:								
– Value of employee services (net of tax)					2	2		2
– Proceeds from shares						0		0
Conversion of convertible bonds			4			4		4
Changes in non-controlling interests						0		0
<b>Balance at 30.06.2010</b>	<b>125</b>	<b>213</b>	<b>-625</b>	<b>-139</b>	<b>6 643</b>	<b>6 217</b>	<b>19</b>	<b>6 236</b>
<b>Total comprehensive income 2nd half 2010</b>				<b>-132</b>	<b>612</b>	<b>480</b>	<b>3</b>	<b>483</b>
Dividend paid						0	-3	-3
Share based compensation:								
– Value of employee services (net of tax)					8	8		8
– Proceeds from shares					1	1		1
Conversion of convertible bonds			332	-15	64	381		381
Changes in non-controlling interests						0	-5	-5
<b>Balance at 31.12.2010</b>	<b>125</b>	<b>213</b>	<b>-293</b>	<b>-286</b>	<b>7 328</b>	<b>7 087</b>	<b>14</b>	<b>7 101</b>
<b>Total comprehensive income 1st half 2011</b>				<b>-98</b>	<b>575</b>	<b>477</b>	<b>3</b>	<b>480</b>
Dividend paid					-270	-270		-270
Share based compensation:								
– Value of employee services (net of tax)					5	5		5
– Proceeds from shares						0		0
Changes in non-controlling interests						0		0
Share buyback			-13			-13		-13
<b>Balance at 30.06.2011</b>	<b>125</b>	<b>213</b>	<b>-306</b>	<b>-384</b>	<b>7 638</b>	<b>7 286</b>	<b>17</b>	<b>7 303</b>

Unaudited figures.

## Notes to the Interim Consolidated Financial Statements

### 1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. In this interim report, Management has not made any significant changes to the estimates and assumptions compared to the previous period.

### 2. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the following new or revised standards and interpretations mandatory for annual periods beginning on or after 1 January 2011:

- **IFRS 9 Financial instruments**

IFRS 9 was published in November 2009 and reissued to incorporate new requirements regarding financial liabilities in October 2010. IFRS 9 requires that financial instruments be classified at amortized cost or fair value. Classification is driven by the entity's business model for managing the financial instruments and the contractual characteristics of the financial instruments. Classification and valuation of financial liabilities remains virtually unchanged from the IAS 39 guidelines. The standard will become effective for financial years beginning on or after 1 January 2013. However, in accordance with the transitional requirements, the Group adopted this standard early, on 1 January 2011, without restatement of the prior-year period. As all the Group's investments are classified as financial assets at fair value and none of the Group's financial liabilities are designated as at fair value through profit or loss, the early adoption has no impact on the consolidated income statement and consolidated balance sheet at 30 June 2011.

The following amendments and new interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2011, but have no material impact or are currently not relevant for the Group:

- IAS 24 (amendment) Related party disclosures
- IFRIC 14 (amendment) Prepayments of a minimum funding requirement
- IFRIC 19 Extinguishing financial liabilities with equity instruments
- Improvements to IFRSs 2010 - various standards

### 3. Group structure changes / restatement of segment information

The consolidation structure comprises 159 legal entities at 30 June 2011 (31 December 2010: 159).

In the period under review, the following decisions were made by Group management:

- In connection with an optimization of corporate structures, Manufacture Favre et Perret SA was absorbed by Montres Breguet SA. This resulted in a transfer of the activities of Manufacture Favre et Perret SA from the Production segment to the Watches & Jewelry segment.
- Until now, certain centralized costs were allocated to the individual operating segments in the internal reporting system. These costs represent corporate headquarters costs and include Group Management, Corporate Communication, Group Human Resources, Corporate Finance, Treasury, Tax and Legal Services. In order to provide a more transparent presentation of the economic performance of the operating segments in the internal reporting system and a better benchmark to the most important competitors, these costs are no longer allocated to the operating segments, but remain as unallocated amounts in the column "Corporate".

The adjustments have the following impact on the operating profit of the various segments:

1st half 2010 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Total
<b>Operating profit as reported</b>	<b>547</b>	<b>65</b>	<b>20</b>	<b>-6</b>	<b>626</b>
Absorption of Favre et Perret by					
Montres Breguet	-5	5			0
Allocation of corporate costs	17	7	3	-27	0
<b>Operating profit restated</b>	<b>559</b>	<b>77</b>	<b>23</b>	<b>-33</b>	<b>626</b>

In addition, as a result of the absorption of Manufacture Favre et Perret SA by Montres Breguet SA, there was an immaterial change in sales for the Production segment.

The segment information was adjusted accordingly. The consolidated figures for the Group have not been affected by these changes.

#### 4. Segment information

1st half 2011 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
- Third parties	2 912	275	171	4		3 362
- Group	1	689	15	2	-707	0
<b>Gross sales</b>	<b>2 913</b>	<b>964</b>	<b>186</b>	<b>6</b>	<b>-707</b>	<b>3 362</b>
- Third parties	2 748	265	170	4		3 187
- Group	1	676	15	2	-694	0
<b>Net sales</b>	<b>2 749</b>	<b>941</b>	<b>185</b>	<b>6</b>	<b>-694</b>	<b>3 187</b>
<b>Operating profit</b>	<b>621</b>	<b>153</b>	<b>15</b>	<b>-33</b>		<b>756</b>
- As a % of net sales	22.6%	16.3%	8.1%			23.7%
- As a % of total	82.1%	20.2%	2.0%	-4.3%		100.0%

1st half 2010 (CHF million)	Watches & Jewelry <sup>1)</sup>	Production <sup>1)</sup>	Electronic Systems <sup>1)</sup>	Corporate <sup>1)</sup>	Elimination	Total
- Third parties	2 570	259	198	4		3 031
- Group	2	494	9	1	-506	0
<b>Gross sales</b>	<b>2 572</b>	<b>753</b>	<b>207</b>	<b>5</b>	<b>-506</b>	<b>3 031</b>
- Third parties	2 425	247	196	3		2 871
- Group	2	479	9	1	-491	0
<b>Net sales</b>	<b>2 427</b>	<b>726</b>	<b>205</b>	<b>4</b>	<b>-491</b>	<b>2 871</b>
<b>Operating profit</b>	<b>559</b>	<b>77</b>	<b>23</b>	<b>-33</b>		<b>626</b>
- As a % of net sales	23.0%	10.6%	11.2%			21.8%
- As a % of total	89.3%	12.3%	3.7%	-5.3%		100.0%

<b>Total assets at 30.06.2011</b>	<b>5 012</b>	<b>1 796</b>	<b>581</b>	<b>3 390</b>	<b>-1 934</b>	<b>8 845</b>
Total assets at 31.12.2010 <sup>1)</sup>	5 122	1 640	623	3 258	-2 029	8 614

(CHF million)	30.06.2011	30.06.2010
<b>Operating profit</b>	<b>756</b>	<b>626</b>
Interest income	2	1
Interest expense	-1	-9
Other financial income and expense	-23	-20
Share of result from associates and joint ventures	5	4
<b>Profit before taxes</b>	<b>739</b>	<b>602</b>

<sup>1)</sup> restated following changes in Group structure and adjustments to segment information (refer to Note 3, page 12)

Unaudited figures.

## 5. Seasonality of operations

Due to the somewhat seasonal nature of the Watches & Jewelry segment, slightly higher revenues and operating profits are usually expected in the second half of the year in local currency. This is mainly due to strong sales in the months of September to December relating to the above-average Christmas season.

## 6. Treasury shares / share buyback

In the period under review, the Group repurchased own shares in the amount of CHF 13 million.

## 7. Investments in associates and joint ventures

On 23 May 2011, the Group acquired a 33.3% stake in Alzouman General Trading Co. Ltd. in Jeddah, Saudi Arabia. The company sells Swatch and Flik Flak brands exclusively, through its own stores in prime retail locations in Saudi Arabia. The acquisition is considered as an associate. The investment is immaterial from a Group perspective.

## 8. Business combinations

The only business combination in the first half 2011 was concluded on 19 January 2011 and related to Novi SA, a manufacturer of finished watches and assembler of watch movements located in the canton of Jura (Switzerland). From a Group view, the fair value of the net assets acquired and the goodwill capitalized as a result of this transaction are not material. In the first half year 2010, the Group did not enter into any business combinations.

There were no divestments in the first half of 2011, however, in the first half 2010, the Group sold the activity of Microcomponents related to step motors for the automotive industry.

## 9. Dividend

The Company pays one dividend per fiscal year. For fiscal year 2010, the dividend agreed at the Annual General Meeting on 31 May 2011, with a value date of 8 June 2011, was distributed as follows:

Dividend per registered share	CHF	1.00
Dividend per bearer share	CHF	5.00
Total dividend paid	CHF million	270

Based on the decision of the Annual General Meeting, the dividend due on own shares held by the Group was not paid out.

## 10. Significant events and business transactions

In the period under review, there were no significant events or business transactions in connection with the critical accounting estimates, judgments and assumptions defined in the consolidated financial statements at 31 December 2010. Furthermore, there were no significant events or business transactions relating to other positions in the consolidated financial statements (such as, for example, classification of financial assets, changes in contingent liabilities and assets, or transactions with related parties).

## 11. Events after the closing date

At the publish date of this press release, the company is not aware of any significant new event that would affect the half-year figures as of 30 June 2011.

## 12. Key exchange rates

	Average rates 01.01.-30.06.2011	Prevailing rates 30.06.2011	Average rates 01.01.-30.06.2010	Prevailing rates 31.12.2010	Prevailing rates 30.06.2010
	CHF	CHF	CHF	CHF	CHF
1 CNY	0.1372	0.1310	0.1598	0.1425	0.1598
1 EUR	1.2722	1.2245	1.4267	1.2540	1.3285
1 HKD	0.1150	0.1087	0.1403	0.1210	0.1394
100 JPY	1.0954	1.0470	1.1982	1.1540	1.2245
1 USD	0.8951	0.8460	1.0900	0.9400	1.0850

Original: German  
Translations: English, French and Italian

## CONTACTS

### Investors

Thierry Kenel, CFO  
The Swatch Group Ltd, Biel/Bienne  
Phone: +41 32 343 68 11  
e-mail: please use our "**Contact Form**"  
[www.swatchgroup.com](http://www.swatchgroup.com)

### Media

Béatrice Howald, Spokesperson  
The Swatch Group Ltd, Biel/Bienne  
Phone: +41 32 343 68 11  
e-mail: please use our "**Contact Form**"  
[www.swatchgroup.com](http://www.swatchgroup.com)

