



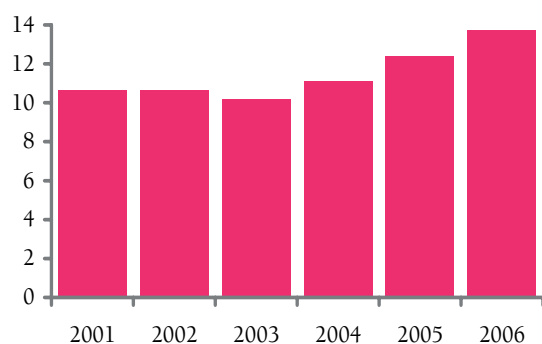
The Swiss and world watchmaking industry in 2006

Swiss watch exports

Introduction

Swiss watch exports enjoyed sustained growth throughout 2006. Demand remained strong, particularly for luxury products, which were the real driving force behind the sector. Economically, it was a positive year, too, with the Swiss watch industry recording its third consecutive year of strong growth after +9.2% in 2004 and +11.5% in 2005.

Total value (in CHF billion)



The total value of Swiss watch exports in 2006 reached 13.7 billion francs. This was a net increase of more than 1.3 billion over 2005 and equivalent to a rise of 10.9%. 2007 should follow the same trend, though with a slightly lower variation rate.

Exports of finished watches

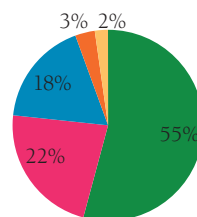
Finished watches accounted for over 90% of export value, showing sustained growth above the sector's average. At 12.7 thousand million francs, the increase was 11.6%. This was achieved by exporting 24.9 million wristwatches - 500,000 more than in 2005 - for a rise of 2.1%. The number of pieces exported has stabilised around 25 million since 2003, following a drop during the previous ten years.

Trend of the different materials

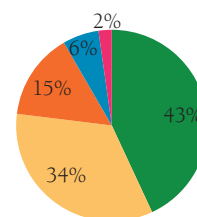
Exports in steel wristwatches increased by 10.3% in 2006, taking them above the five billion franc mark, for a value of 5.5 billion francs. 18K gold timepieces made the largest contribution, growing by 17.6%, for a value of 3.9 billion francs. Bi-metallic products (mainly gold-steel) recorded a modest rise of 2.9%, to 1.9 billion francs. Platinum watches maintained their impressive growth (+23.0%), for a value of 392.3 million francs.

Watches by materials

Units



Value



The increase in the number of pieces exported was primarily due to two categories: steel watches, present in all price segments, reached 13.5 million units in 2006 (+2.7%); watches in the other materials represented 5.6 million units, registering one of the most impressive rises (+5.6%). Precious metals and other metals, however, fell back slightly. Steel, once again, took pole position in terms of materials, accounting for more than one exported watch in every two.

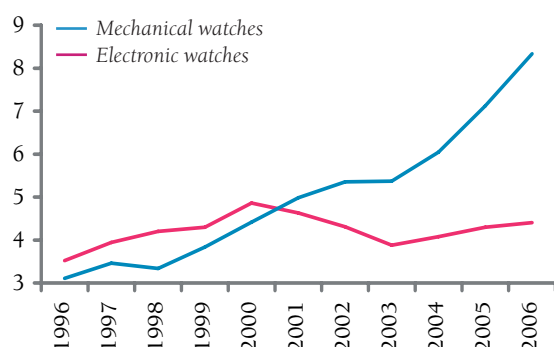
Mechanical and electronic watches

2006 was a particularly good year for mechanical watches, with their value increasing by 17.0% and their number by 11.6%. Once again, they gained market share, accounting for almost two thirds of the total value for only 15.1% of units



sold. Electronic timepieces, however, recorded more modest growth. Their overall value exceeded the 2005 level by 2.5%, while the number of pieces remained more or less stable at +0.5%.

Watches (in CHF billion)



Main markets

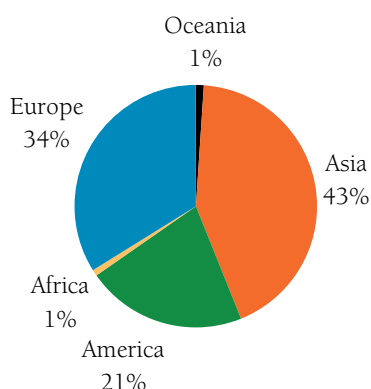
Swiss watch companies exported their products to all five continents in 2006, recording an increase in every case. Amongst the three leaders, Europe registered the most sustained increase, rising to 12.7% for a value of 4.6 thousand million francs. The Old Continent, therefore, accounted for one third of Switzerland's total watch exports. Asia represented the largest market share (43%), but was slightly lower in terms of growth, with a rate of 10.4%. This trend, very close to the sector average, boosted overall value in Asia to 5.9 thousand million francs. Although less buoyant than the other two markets, America still expanded by 8.9%, for a value of 2.9 thousand

million francs and a market share of 21%. As for the other two, Africa and Oceania represented 2% of exports. The first (+20.1%), however, was four times more dynamic than the second, which grew by 5.3%. Looking more closely at the statistics, the United

Geographical distribution (in CHF million)

Countries	Value 2006	Change in %	Share in %
USA	2,287.4	+6.1%	16.6%
Hong Kong	1,945.9	+8.9%	14.2%
Japan	1,267.0	+10.4%	9.2%
Italy	901.3	+5.4%	6.6%
France	813.3	+21.3%	5.9%
Oth. Countr.	6,521.9	+12.9%	47.5%
Total	13,736.8	+10.9%	100.0%

States remained the Swiss watch industry's leading market, despite slower growth in 2006. In Hong Kong, Swiss watch exports slowed down before bouncing back and finishing the year on a high. Japan, after an excellent 2005, finished about average for the sector. Among the European markets, Italy fell back, finishing the year with a more modest rise. France, on the other hand, took off, enjoying one of the strongest increases in annual growth, with Germany following suit. Other, smaller markets enjoyed above-average growth, particularly Singapore, Spain, China, Mexico and Austria.

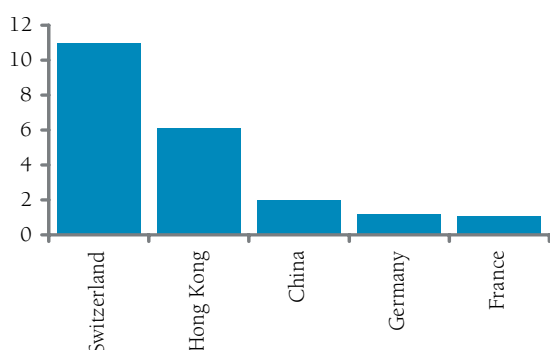




World watch exports

With total watch exports worth 11.0 billion dollars, Switzerland remained the leading exporting country in 2006. Growth in local currency terms (excluding foreign exchange effects) of 10.9% enabled this new record to be achieved. Hong Kong posted watch exports or re-exports worth 6.1 billion dollars. The increase over 2005 proved more modest, at just 1.9% in local currency terms. The main destinations for Hong Kong watch products remained unchanged: the United States, China, Japan and Switzerland. China ranked third with watch exports worth the equivalent of 2.0 billion dollars. However, they were 2.7% lower than in 2005. One-half of this traffic went to Hong Kong.

Main exporting countries (in USD billion)
(Direct exports)



Germany reported a steep decline in local currency terms (-29,6%). This negative trend brought the annual result down to 1.2 billion dollars. France experienced an opposite trend, enabling it to gain one place in the ranking to fifth position, to the detriment of Japan. French growth reached 27.9%, with a total value of 1.1 billion dollars.

Wrist watch exports

China exported the largest number of wrist watches in 2006 with 691.6 million units. This was 14% down on 2005 and the second successive fall on this scale for China. Hong Kong followed the same trend with a 14% decline to 521.1 million pieces. Far behind the Asian producers, Switzerland ranked third with 24.9 million wristwatches. Volumes were 2% higher.

Main watch exporting countries
(Direct exports)

Countries	Units in millions	Change in %
China	691.6	-14%
Hong Kong	521.1	-14%
Switzerland	24.9	+2%
Germany	13.5	+22%
USA	7.3	-23%
France	4.4	-11%
Japan	3.6	-7%

The large quantities of wrist watches exported by China consisted for the most part of electronic time-pieces. Their average export price was 1 dollar, unchanged on 2005. In the case of Hong Kong, the corresponding figure was 8 dollars. Swiss watches do not fall in to the same category. Their average export price rose once again to pass the 400 dollars mark (at 410 dollars). Germany reported an average value of 60 dollars close to the United States with 65 dollars.

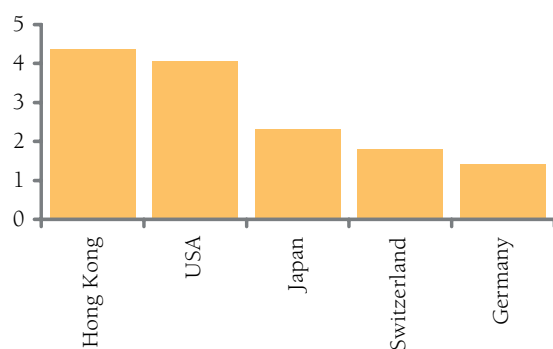
World watch imports

In 2006, watch imports into Hong Kong were worth 4.4 billion dollars, down on the 2005 figure. A substantial proportion of these products were re-exported. The United States imported watch products with a value equivalent to 4.1 billion dollars, exceeding the previous figure. Japan remained a major consumer with watch imports worth 2.3 billion dollars. Switzerland (1.8 billion



dollars) ranked in fourth place. Components accounted for a substantial share of its imports. In Germany, watch imports reached 1.4 billion dollars. The results reported by Japan, Switzerland and Germany all advanced with a two-figure growth rate (excluding foreign exchange effects) on 2005.

Main importing countries (in USD billion)



For further information, please consult: www.fhs.ch