ANNUAL REPORT 2009

SWATCH GROUP


"WE CHOOSE TO GO
TO THE MOON."
- John F. Kennedy
OMEGA
Speedmaster
PROFESSIONAL
40TH ANNIVERSARY MOON LANDING
The first and only watch worn on the moon
20 JULY 1969
Learn more by visiting the
John F. Kennedy Presidential Library
& Museum at www.jfklibrary.org

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Cover by Ted Scapa

FSC

MESSAGE FROM THE CHAIRMAN

DEAR CO-SHAREHOLDERS LADIES AND GENTLEMEN

When Swatch Group published its sales results for 2009 on 20th January this year, they were met with congratulations and enthusiastic headlines by financial analysts and journalists.

Thus, for example, on 21st January 2010, a respected and important Swiss economic and financial newspaper headlined its front page with "Insolent rise in turnover – Swatch Group surpasses its competitors"; after which followed an article entitled "Swatch Group dominates its sector". For our retail partners and our personnel as well as for yourselves, dear co-shareholders, this result was expected and is certainly beneficial but far be it from us the idea of being insolent, more that of an example to follow. Indeed, we sincerely regret the decline in turnover of some of our watchmaking colleagues.

This report, as every year, provides an overview of the results of the work undertaken by over 24000 men and women employed by this company, as well as that of our distributors, partners and retailers around the world, during the difficult year of 2009.

The key figures for 2009 are as follows:

- Group gross sales of CHF 5421 million, on comparable basis (excluding divestments of Sokymat Automotive and Michel Präzisionstechnik undertaken in 2008) in decline by –8.1%, including losses incurred by exchange rates of CHF 105 million (–6.3% without these losses).
- Watch segment sales with a decrease of –7.7% largely outperform Federation of the Swiss Watch Industry (FH) export sales (–22.3% in 2009), gaining market shares for the Group in practically all price segments and markets.
- Operating profit reaches CHF 903 million or 17.6% on net sales (versus 21.2% in 2008), with a very strong performance in the second half-year (EBIT margin of over 20%) despite currency losses of CHF 105 million versus 2008.
- Net income amounts to CHF 763 million, –8.9% less than in 2008, with 14.8% of net sales, exactly the same as the previous year.
- Substantial equity of CHF 6 billion or 77.6% of total balance sheet (versus 75.3% in the previous year).
- Dividend 2009 proposed: CHF 0.80 per registered share and CHF 4.00 per bearer share.

Thus this decrease, even if it is disagreeable and unfortunate, is certainly far better than the predictions and estimations made by some economic experts, confirming the excellent work undertaken by our personnel, executives and Group Management Board.

Despite a tempestuous and tumultuous international environment, extremely menacing for the future survival of several watchmaking companies, Swatch Group navigated the storm relatively well, avoiding the major swirls and eddies, and finishing up this turbulent year on good form and up to our expectations, as the results and accounts of the year show.

Indeed, Swatch Group indicated this in its annual report in 2008: *"Well, that is all well and good, I hear you say, but where are we going in 2009–2010 and beyond? Forecasts are legion … not only is the number of media in our world considerable but in addition each media hands out, as they did in the past – as do in fact very knowledgeable economists – several contradictory forecasts … so where are we going? We find ourselves in a tunnel, which is dark and dangerous for the financial economy and with it for the rest of world, for almost the last 22 months and for the Swatch Group for the last 4 to 5 months. We should be able to emerge from this tunnel within 3, 5 or 7 months, or at the latest 9 months. All our predictions, based upon information from the international markets, confirm a recovery during the second part of the year, with an improvement and increase in sales and profits for the Swatch Group in 2009 compared with 2008."*

Finally the reality of 2009 confirmed our predictions and the second part of the year, contrary to the expectations of most observers was very positive and far better than the second half of 2008. It even ended with a record turnover in December 2009.

Already, during the first half of 2009, Swatch Group had experienced a strong fall in sales of –15,3%, but this is relatively minor when compared to the major decline of 26,4% in the value of Swiss watchmaking exports as noted by the Federation of the Swiss Watch Industry (FH). During the second half of the year, the figures for both sales and profits were even more positive. All this, Ladies and Gentlemen, was achieved despite the fact that we took decisions which seemed absurd in the eyes of a number of economists and financiers.

In the first instance, Swatch Group decided to maintain the total number of its employees during this period of crisis, even if the reduction in turnover was to be fairly substantial. We already published this decision very early on in the year, with the aim of reassuring our personnel regarding their job security and confirming the fact that, even in difficult times, they are not considered as commodities but as partners working together to contribute fully to the future results, innovation and success of our company.

Secondly, we decided not to exercise pressure on our partners and retailers. During the crisis, a large number of these partners had envisaged selling the watches held in their stock and substantially reducing their purchases from the different brands of our group. We did not wish to force anyone with conditions of having to buy an entire collection or of purchasing in the usual quantities. Unlike certain other watchmaking companies, we thus showed great understanding for their purchasing reticence.

Thirdly, Swatch Group decided not to adhere to the "End of the World" mentality and not to give in to the predominating world catastrophe scenario by placing our partners under strong pressure to sell at all costs, offering terms of consignment, for example, or unacceptable discounts, far lower than the cost of production itself. It was not in our mind set to liquidate our quality products in the prevailing panic.

In this tempestuous storm, consumers were buying less and we heard ever more alarming rumors from the markets. Thus a number of companies, notably those quoted on the Stock Exchange, gave in to the financial mentality, which often dominates the industry, by following strategies aimed at securing maximum profit in the short term. Swatch Group, on the other hand, preferred to favor a long term strategy, which has finally seen 2009 finish on a relatively positive note.

This does not mean that we are satisfied with the results of 2009! Results that are lower, both in terms of turnover and of profits, compared to the record years of 2007 and 2008. It is not because we performed better than our competitors that we consider ourselves to be the "world champions". We will therefore be deploying all our efforts, both at the level of our personnel and that of Group Management Board and Board of Directors, to ensure that 2010 will be more successful.

Indeed, one must admit that 2009 was an extremely trying year not only for the watchmaking industry but also for the whole of Switzerland. The financial activities of some of our major banks continued to represent a substantial danger of causing a state of crisis for our country, despite an improvement during the second part of the year. The biggest of our banks had to admit that some of its leading directors had acted in a criminal manner in the United States. At an international level, the governments of our neighboring countries of Germany, France and Italy, as well as other ally countries, all with astronomic budget deficits, voiced their anger, not only on account of these criminal actions but also concerning our financial laws and the unwavering defense of each person's individual privacy, which is typical of the Swiss mentality. The citizen is more important than the Government and the people the Sovereign ruler, who reigns supreme.

Whilst some of these governments are suffering from record budget deficits, the "insolence" of our well-being, of our very

stable and wide-reaching democracy and our high standard of living, which encourages an enormous number of people to come and settle in our country, often seems to incite unjustified bitterness.

It seems natural that such a peace-loving nation, which hates violence, and has an income per capita amongst the highest in the world, as well as offering a highly desirable infrastructure and environment, a low rate of unemployment, a currency that has been stable for several decades and a stable government, should continue to entice other foreign nationals, particularly in this time of crisis, to come and settle here with great enthusiasm, in addition to the 1.7 million who are already residing in Switzerland (almost 30% of the Swiss part of the population or over 22% of the total population living in Switzerland). These people come in particular from neighboring countries, such as France, Germany, Austria and Italy, countries with the same high standard of living and whose societies are almost as rich as our own.

During the course of this year of difficulties, some Swiss people began to question themselves and their country. After having criticized several bank directors, they also started to point the finger of doubt at certain politicians whom they judged to be too weak or incapable of surmounting the obstacles that faced them. One should not forget that Switzerland has never believed that it should form brilliant geniuses at the level of its elite leaders, politicians and the like, because the force of Switzerland lies specifically in its people.

This is the basis of all its values, all the qualities of this country, made up of different communities and cultures, despising all forms of violence, peace-loving and democratic to a fault.

This is the unchanging, fabulous foundation of this country which ensures that, despite all the criticism, all those who know her wish to live here.

To the citizens who seem to have lost confidence in themselves and in our institutions, I would like to call upon them to regain confidence: Come on Switzerland! Allez la Suisse, Hopp Schwiz!! Yes, certain bank directors, and certain leaders have been incompetent, even criminal; it is quite possible; all countries have their black sheep. The other industrialized countries have the same problems, the United States, as in the cases of Bernard Madoff, Lehman Brothers and other examples from Wall Street. However the new generations of bank directors and other decision makers are already emerging

and they have a different, more healthy vision of the financial economy; a vision that respects the traditional values of the Swiss Confederation. Our craftsmen, engineers, researchers, entrepreneurs and many others continue to do this country proud by producing the highest of quality and a substantial number of innovations.
Our international presence confirms to us every day that the immense majority of world populations have a warm and friendly respect towards Switzerland and its people. In fact, Swiss men and women have a deep respect for everyone and for all human rights. Switzerland has never been a colonizing power and its population is capable of showing a solidarity that is unique in the world, as witnessed by the reactions after each natural disaster.

Switzerland started to suffer from the "disease of the hyper rich" where the new generation, unlike their parents and grandparents, no longer have the strength, courage and determination to overcome obstacles and face up to difficulties. Thus in Switzerland we were beginning to lack real artistic entrepreneurs and creators, alone capable of creating new wealth and with them new jobs. After the crisis that it has undergone, Switzerland is recovering, creating again numerous entrepreneurs… a positive result of this crisis and its problems. Come on Switzerland! Allez la Suisse! Hopp Schwiiz!

Our craftsmen therefore remain amongst the most gifted and the best, and our people amongst the most peace-loving and humanist, our country amongst the most desirable, and our researchers and entrepreneurs amongst the most prolific. Concerning the alliance between researchers and entrepreneurs, in 2007, Swatch Group together with Hayek Engineering, Deutsche Bank, the Swiss Federal Institutes of Technology, the Paul Scherrer Institute, the Groupe E, the Ammann Group and George Clooney, created the company Belenos Clean Power. Our own researchers from our research and development laboratories, together with those from other partners, such as the Swiss Federal Institutes of Technology Zurich (ETH Zurich), and the Paul Scherrer Institute, are making progress in the realization of new concepts in renewable energy. Switzerland has an important role to play in this field. We hope that in a few years from now this work will give rise to tangible and visible results that we can show you.

Over the last few decades, Swatch Group – your group – has developed the vast majority of the expertise and production resources for mechanical watchmaking movements and complications in Switzerland. During the crisis faced by the watchmaking industry in the 1980s our group was obliged to bear all the risks on its own and to take full responsibility for saving all the important production centers, such as Nivarox-FAR and ETA amongst others, since no other watchmaking company wanted to join forces with us. Throughout all these years we have been forced to deliver our products, and in so doing also our know-how, to almost all the companies who asked for them; this situation created an entry level far too low for any company wishing to enter our industry, even those with no connection to the watchmaking industry.

For over 20 years we have been requesting that these watchmakers develop their own production facilities for their timepieces, or at least part of them, which would indeed be feasible if they deployed the appropriate means, and this in the interest of the whole Swiss watchmaking industry.

The major traditional Swiss watchmaking brands who have their own Manufactures, and who are traditionally supplied in part by us, agree with us on this point and support and encourage us in our actions. We have therefore commenced discussions with the appropriate Swiss authorities to correct this obligation to deliver to everyone (see P.S. below).

The Management Board and the Board of Directors foresee a positive year for 2010, as much for the development of the Swatch Group as for a general improvement in our country and throughout the world, at an ethical, moral, economic and industrial level, despite an immense level of debt incurred by the governments of several industrialized countries. It is on this positive note that we will steer our ship during 2010.

Our resounding thanks go to all the personnel of Swatch Group, all the men and women, in Switzerland and abroad, as well as all our executives and directors, for their commitment and their efforts. And I thank you all too, dear co-shareholders, for your support and wish you in 2010 a year full of happiness and excellent health.

Nicolas G. Hayek

Chairman and Delegate of the
Board of Directors of Swatch Group

March 2010

P.S.: Two interviews with Nicolas G Hayek explaining these points in greater detail were published, the first in *L'AGEFI* on 18th December 2009 in French and the other in German in the *Bieler Tagblatt* on 23rd December 2009.

OPERATIONAL ORGANIZATION

as at December 31, 2009

WATCHES

Prestige and Luxury Range
Breguet, Blancpain, Glashütte Original, Jaquet Droz, Léon Hatot, Omega, Tiffany & Co.

High Range
Longines, Rado, Union Glashütte

Middle Range
Tissot, ck watch & jewelry, Balmain, Hamilton, Certina, Mido

Basic Range
Swatch, Flik Flak

Private Label
Endura

RETAILING

Tourbillon, Tech-Airport

PRODUCTION

Watches
ETA, Frédéric Piguet, François Golay, Valdar, Nivarox-FAR, Comadur, Rubattel et Weyermann, MOM Le Prélet, Deutsche Zifferblatt Manufaktur, Universo, Indexor, Favre et Perret, Manufacture Ruedin, Lascor, Meco, Swatch Group Assembly

Jewelry
Dress Your Body (DYB)

ELECTRONIC SYSTEMS

EM Microelectronic, Micro Crystal, Renata, Microcomponents, Oscilloquartz, Lasag, Swiss Timing and ST-Sportservice

CORPORATE

Swatch Group Research and Development (Asulab, CDNP), ICB, Swatch Group Quality Management, Swatch Group Distribution, Swatch Group Corporate Customer Service, Swatch Group Immeubles

ORGANIZATION AND DISTRIBUTION OF SWATCH GROUP IN THE WORLD

as at December 31, 2009

SWATCH GROUP SUBSIDIARIES

Europe	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxemburg, The Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, United Kingdom and Ireland
Americas	Brazil, Canada, Mexico, Panama, USA
Oceania	Australia
Far East	China, Hong Kong, India, Japan, Macao, Malaysia, Singapore, South Korea, Taiwan, Thailand
Middle East	United Arab Emirates
Africa	South Africa

In countries where Swatch Group has no actual distribution subsidiary, it is represented by local distributors.

BOARD OF DIRECTORS

as at March 4, 2010

Dr h.c. Nicolas G. Hayek
Chairman and Delegate of the Board of Directors

Company Secretary
Roland Bloch, Biel/Bienne

Auditors
PricewaterhouseCoopers
St. Jakobs-Strasse 25
CH-4052 Basel

Administrative Headquarters
Seevorstadt 6
CH-2501 Biel/Bienne
Tel. +41 32 343 68 11
Fax +41 32 343 69 11
E-mail: info@swatchgroup.com
Internet: www.swatchgroup.com

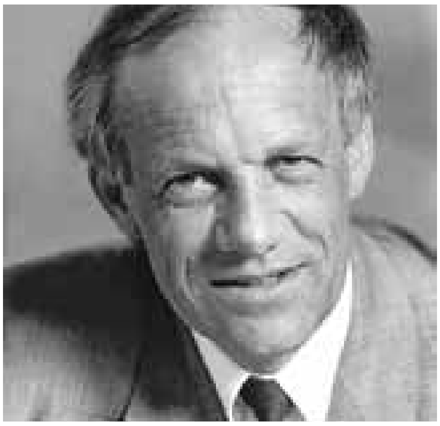
Registered Offices
Faubourg de l'Hôpital 3
CH-2000 Neuchâtel

Nayla Hayek
Vice-Chairman

Dr Peter Gross
Vice-Chairman

Esther Grether

Prof. Dr h.c. Claude Nicollier



Johann Niklaus Schneider-Ammann

Ernst Tanner

The function descriptions and responsibilities of the Board of Directors members at December 31, 2009, are outlined in the Corporate Governance chapter on pages 135 to 136 of the present Annual Report.

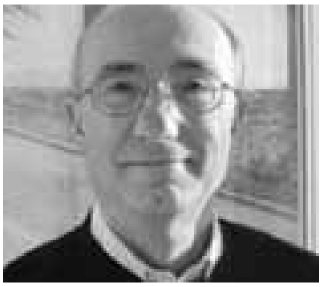
EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2010

Nick Hayek
President of the Group Management Board

Arlette-Elsa Emch
Swatch, ck watch & jewelry, Dress Your Body (DYB), Swatch Group Japan, Swatch Group South Korea

Florence Ollivier-Lamarque
Swatch Group France, Swatch Group France Les Boutiques, Swatch Group Italy, Swatch Group Spain, Flik Flak



Dr Mougahed Darwish
EM Microelectronic, Micro Crystal, Renata, Microcomponents, Oscilloquartz, Lasag

Marc A. Hayek
Blancpain, Frédéric Piguet, François Golay, Valdar, Deutsche Zifferblatt Manufaktur, Swatch Group Panama

Dr Hanspeter Rentsch
Legal, licenses, strategic projects, real estate (except Engineering), patents (ICB), Swatch Group Greece, Swatch Group Poland

Roland Streule
Rado, Swatch Group South Africa

François Thiébaud
Tissot, Certina, Mido, Union Glashütte, Swatch Group Brazil, Portugal, Swiss market

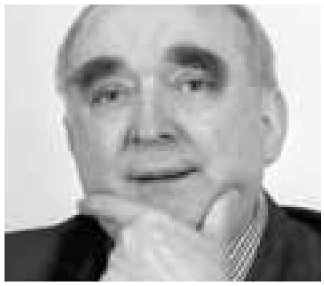
EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2010

Matthias Breschan
Hamilton, Swatch Group Mexico

Pierre-André Bühler
ETA Manufacture Horlogère Suisse

Yann Gamard
Swatch Group Germany, Swatch Group Belgium, Swatch Group Netherlands, Swatch Group Nordic, Swatch Group UK (as country mangager a.i.)



Walter von Känel
Longines

Dr Thierry Kenel
Corporate Finances/Reporting, Investor Relation

Thomas Meier
Glashütte Original, Swatch Group Thailand

Kevin Rollenhagen
Swatch Group China, Swatch Group Hong Kong, Swatch Group Macao, Swatch Group Taiwan, Swatch Group Australia

Rudolf Semrad
Swatch Group Austria

Dr Peter Steiger
Controlling

Stephen Urquhart
Omega

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2009, are outlined in the Corporate Governance chapter on pages 137 to 140 of the present Annual Report.

DEVELOPMENT OF THE SWATCH GROUP

Swatch Group consolidated		**2009**	2008	2007	2006	2005
Gross sales	**CHF million**	**5 421**	5 966	5 941	5 050	4 497
– Change from previous year	%	**–9.1**	0.4	17.6	12.3	8.3
Net sales	**CHF million**	**5 142**	5 677	5 646	4 820	4 292
– Change from previous year	%	**–9.4**	0.5	17.1	12.3	7.8
Operating profit	**CHF million**	**903**	1 202	1 236	973	735
– As a % of net sales	%	**17.6**	21.2	21.9	20.2	17.1
Net income	**CHF million**	**763**	838	1 015	830	621
– As a % of net sales		**14.8**	14.8	18.0	17.2	14.5
– Change from previous year		**–8.9**	–17.4	22.3	33.7	21.3
Equity	**CHF million**	**5 981**	5 451	5 329	4 967	4 603
– As a % of total assets	%	**77.6**	75.3	71.5	71.9	69.9
Total assets	**CHF million**	**7 706**	7 235	7 447	6 904	6 588
Personnel as at 31.12.	Employees	**23 562**	24 270	23 577	21 268	20 650
Annual average	Employees	**23 727**	24 269	22 505	20 572	20 730
Salaries and social benefits	CHF million	**1 596**	1 633	1 595	1 411	1 315

The Swatch Group Ltd		**2009**	2008	2007	2006	2005
Dividend income	CHF million	**431**	795	609	435	374
Net income	**CHF million**	**433**	672	586	444	398
Investments	CHF million	**2 063**	2 045	2 030	1 901	1 770
Share capital	CHF million	**125**	125	129	132	135
Equity	CHF million	**2 294**	2 084	2 190	2 097	2 043
– As a % of total assets	%	**82.5**	71.4	68.6	71.5	75.8
Total assets	**CHF million**	**2 780**	2 920	3 191	2 934	2 695
Dividend*)	**CHF million**	**222.6**	222.7	224.9	192.2	139.8
– As a % of share capital	%	**178.1**	178.2	174.3	145.6	103.6

*) No dividend paid on own shares held by the Group.
In May 2010, proposal by the Board of Directors at the Annual General Meeting.

BIG BRANDS

WATCHES AND JEWELRY – RETAILING AND LANDMARKS

CREART

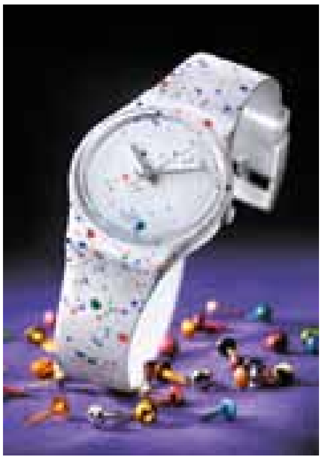
TRENDS In this difficult period for the world economy, the quality, reputation and price of its products made Swatch a point of reference for the Swiss watch industry, and the brand continued to gain market share.

The foreseen growth in the trend toward plastic, which had already benefited both the Gent Original line and the new Chrono Plastic collection, launched in 2008, continued in 2009. The fashionable look and price positioning of the new models undoubtedly contributed to their success. The worldwide launch of the new CreArt collection with a live art performance at the Piazza San Marco in Venice gave an added boost to this plastic come-back.

Asia was less affected by the crisis than other markets and growth in China was sustained by investments in the local market aimed at expanding the brand's retail presence.

Europe remained the most important region for Swatch. Investments in the retail network in Italy contributed to good performance, with the CreArt launch in Venice providing strong support in terms of press coverage and advertising and two outlet stores performing extremely well. In France, the core values of the brand appeared even stronger in the difficult economic environment, with monobrand Swatch stores proving to be an attractive and effective communication tool, resulting in both corporate and franchise stores performing well. Investments in Poland and Russia also proved their worth by generating positive sales growth compared to slowing momentum in the rest of Eastern Europe.

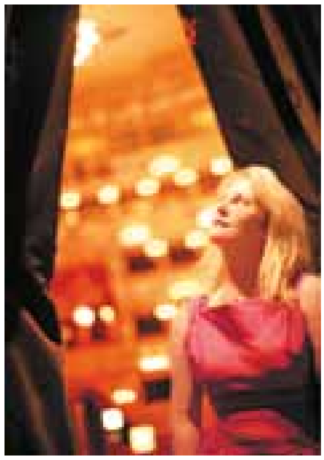
Despite a drop in tourism in the USA, the leading growth market for Swatch in 2008, the brand nevertheless gained market share and remained very strong in response to increased demand by expanding the distribution network. In particular New York benefited from the new store concept, especially the newly renovated Times Square megastore. The brand's strong image in Latin America also enabled it to overcome the difficulties arising from the Swine flu epidemic and subsequent decline in tourism at the beginning of the year.



In the Middle East, the brand is particularly well established in Saudi Arabia, Turkey and the United Arab Emirates, where heavy investments were made in distribution with a strong store presence and a highly visible marketing campaign. Saudi Arabia, in particular, which does not depend on tourism, showed a positive trend for Swatch.

In 2009, Swatch continued its integration of media partners and global campaigns with leading actors, including MTV, Metro International and Yahoo. In addition to traditional media activities, Swatch has been very active in innovative "immersive" media endeavors, particularly with two major activities, the award-winning world premiere of "Shoot My Ride" and "Swatch MTV Playground": 360° advertising campaigns with colorful graphic and product-oriented visuals for press and outdoor ads, a TV spot and strong online integration with Swatch partners supported the launch of the Swatch CreArt and Manish Arora collections. Similarly, a 360° worldwide advertising campaign with an animation-based TV commercial and an Internet campaign supported the launch of the new Swatch Chrono Automatic line.

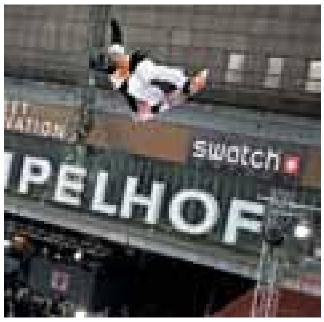
In September, Swatch renewed its contract with the International Olympic Committee.



CREATION **Annual Collections** Five collections were launched in 2009: Spring Summer, Summer Sport, Fall Winter, Winter Sport and the Seasons Collection, each based on the three principal axes of fashion, art and sports. Specific models for Valentine's Day, Chinese New Year and Mother's Day complemented the collections.

CreArt Collection The Swatch Artist Collection added a new chapter to the story of Swatch and Art with the launch of twelve new Gents watches by Billy the Artist, Grems, Matthew Langille and Ted Scapa.

Chrono Automatic Designed to appeal to active, style-conscious men and women with an eye for sporty design, precision quality and value, the Swatch Chrono Automatic Collection comprises five new models featuring a new fifteen-jewel mechanical movement, the ETA Caliber C01.211. With its attractive design and accessible price, the Chrono Automatic shook up the somewhat conservative market for traditional chronograph automatics, with major presentations of the watch in Geneva and Berlin.



PRESENCE **Shoot My Ride** In the winter season 2009, Swatch and the Snow Park teams in the five resorts Laax, Livigno, Sölden, Tignes and Verbier launched Shoot My Ride, a completely new concept: the skier or snowboarder who makes a run down the Swatch Snow Park has his or her jump recorded by video cameras. Each performer's movie is played back on a giant screen and then posted on the Swatch website. More than 140000 movies were uploaded to swatch.com, shared and enjoyed on community websites such as Myspace, YouTube, Twitter and Facebook.

Swatch MTV Playground Swatch strengthened its relationship to art and fashion through its 2009 partnership with MTV in Europe and Asia. A web-based community in nineteen languages was created to enable artists and designers to display and discuss their artwork and participate in design competitions. More than 50000 artworks were uploaded and the best were exhibited at Swatch MTV Playground events and Swatch stores in China, Germany, Greece, Japan, Korea, the Netherlands and Switzerland. Swatch MTV Playground was also used to support the launch of the Swatch CreArt and Manish Arora collections.

CreArt Live in Venice – Swatch and the Art of Performance Swatch rocked the crowds at Piazza San Marco in Venice with a spectacular live show featuring New York primitive urban pop painter Billy The Artist. The large crowd was dazzled by the art, music and a wall of light projected onto the historic facades surrounding the piazza. Swatch's newly appointed president, Arlette-Elsa Emch, joined Billy and musicians on stage, playing the role of Billy's muse. Earlier in the day, at a press conference held at the magnificent Venetian opera house, La Fenice, Swatch founder Nicolas G. Hayek together with Swatch Group CEO Nick Hayek and Swatch president Arlette-Elsa Emch were joined by Billy the Artist, Swiss artist Ted Scapa and graphic artist and designer Matthew Langille for the presentation of the Swatch CreArt 2009 Collection. Swatch's cultural partnership with the City of Venice and the brand's history of support for the arts helped ensure the success of this unprecedented event.

Swatch supports a broad range of popular sports events around the world. Among the most well known is **the Swatch FIVB Beach Volleyball World Tour.** 2009 was Swatch's seventh consecutive year as principal partner. The results from 14 men's and 16 women's tournaments were presented in real time on the Swatch Internet site.

Heavy snowfalls served up perfect conditions for the skiers and snowboarders participating in **the Swatch O'Neill Big Mountain Pro 2009.** Snowboarder Xavier De Le Rue and skier Cody Townsend, both members of the Swatch ProTeam, claimed the golden Big Mountain Pro Champions Belt buckle at the conclusion of their eight-day journey in the mountains.

For the fourth year in a row Swatch partnered with the **X-Fighters FMX World Tour.** Following tour stops in Mexico City, Calgary, Texas, Madrid and London, Swatch Pro Team Athletes Robbie Maddison and Mat Rebeaud (Tour Champion 2008) were ranked 2nd and 3rd.

Berlin Tempelhof airport hosted the inaugural edition of **Freestyle.berlin,** where top athletes performed in Freeski, Snowboard, Skateboard and FMX events. The event offered a superb backdrop for the launch of the Swatch Chrono Automatic collection, where Arlette-Elsa Emch presented the watches together with Swatch ProTeam athletes.

Swatch served as timekeeper and data handler for **the Freeride World Tour,** where Swatch ProTeam members were again on the podium: French Snowboarder Xavier De Le Rue claimed the Snowboard Freeride World Champion title, and Swedish Freeskier Sverre Liliequist took 3rd place. At **the 2009 European Freeski Open,** Swatch was once again presenting sponsor, as top freeskiers from around the world met in Laax, Switzerland for halfpipe and slopestyle competitions.

Following the sport's debut at the Beijing 2008 Olympic Games, **the UCI BMX Supercross by Swatch** took up its world tour with five events in Europe, USA, Australia and Africa. Swatch also served as Official Timekeeper and data handler of the BMX Supercross World Cup and World Championships.

Swatch ProTeam Swatch supports talented athletes from the young radical extreme sports who embrace the brand's values of innovation, endurance, modernity and non-conformism.
Snowboard: Terje Haakonsen (NOR), Frederik Kalbermatten (SUI), David Benedek (GER), Anne-Flore Marxer (SUI), Jeremy Jones (USA), Nicolas Müller (SUI), Xavier De Le Rue (FRA), Jan Scherrer (SUI), Christian "Hitsch" Haller (SUI) and Nadja Purtschert (SUI).
Freeski: Phil Meier (SUI), Sverre Liliequist (SWE), Kaj Zackrisson (SWE), Cody Townsend (USA), Thomas Diet (FRA), Richard Permin (FRA), Seb Michaud (FRA), Laura Bohleber (SUI) and Mirjam Jäger (SUI).
Surfing: Sam Lamiroy (UK) and Bobby Martinez (USA).
FMX (Freestyle Motocross): Mat Rebeaud (SUI), Busty Wolter (GER), Robbie Maddison (AUS) and Lance Coury (USA).
BMX: Marc Willers (NZL), Robert de Wilde (NED), Martijn Scherpen (NED).
Beach Volleyball: Igor Kolodinsky & Dimitri Barsouk (RUS), Raul Mesa & Inocencio Lario Carrillo (SPA), Clemens Doppler & Matthias Mellitzer (AUT), Martin Laciga & Jan Schnider (SUI), Pedro Solberg Salgado & Pedro Cunha (BRA), Ingrid Torlen & Nila Ann Hakedal (NOR) Ana Paula Connelly & Shelda Bede (BRA), Simone Kuhn & Nadine Zumkehr (SUI).

Swatch The Club International Swatch The Club is a community of people from over 100 countries who share a passion for all things Swatch. In 2009 the Club concentrated its efforts on expanding in new social media and enhancing the online community, focusing on loyalty and the exclusive nature of Club membership with a range of events and special Swatch watches. Working at the international and national levels, a number of events in art and sports helped to ignite the passion of collectors and fans. Street Club, the 2009 Club watch designed by French hip hop and street artist Grems was very well received by consumers, who appreciated its lively and colorful design. Launched successfully worldwide, Street Club brought a significant increase in Club memberships and became one of the best-selling Club watches ever. Swatch lifestyle magazine *the club VOICE,* issued twice a year, represents the spirit that gives life to Swatch and the Swatch community. Circulation increased to 50000 copies worldwide in 2009.

the club
swatch

swatch
bijoux

COLOR, SPARKLE AND INNOVATIVE DESIGN

TRENDS 2009 was a notable year for Swatch Bijoux. A number of new market niches and opportunities for sustainable growth were identified.

The collections took up the tradition of playful elegance and developed it further, with particular emphasis on fashion and the popular trends that Swatch Bijoux represents.

Sales were concentrated primarily in the Western countries, although a number of markets in Latin America, the Middle East and Eastern Europe achieved an outstanding level and showed great potential for further growth.

CREATION **Spring Summer 2009** Inspired by the latest trends around the world, for Spring Summer 2009 Swatch Bijoux launched a collection full of colors, crystals and innovative designs. Spring-Thing, with its refreshing colors and crystal accent elements, proved to be a worldwide success. The soft texture and strong character of Pallabella displayed modernity and chic appeal and became a favorite in the collection.

Fall Winter 2009 For Fall Winter 2009, Swatch Bijoux unveiled a very elegant and sophisticated collection with colorful families full of life and packed with fun. New materials such as wood and artificial moonstones were introduced, making the bijoux using them very special.

Sky Finery's blue crystals in different shapes, wrapped with delicate stainless steel, gave this family a dazzling appearance and made these bijoux a favorite of many customers of all ages. Spheritrea charmed the markets with the combined use of crystals and crystal pearls in a very modern, minimalist approach. Another cheerful family in this collection was Fructiferous, which featured a pleasing combination of blue and green hues. Easy to wear and full of visual appeal, the family was a worldwide bestseller right from the start.

PRESENCE The year was marked by several successful entertaining public relations events organized to launch the different collections, with the various local markets in which Swatch Bijoux is present showing remarkable creativity in staging innovative launches and marketing activities. The attendance of numerous journalists resulted in positive reviews in the media around the globe.

In Switzerland, a wonderful public relations evening was organized in Lausanne to launch the Fall Winter 2009 collection. The event incorporated a magnificent fashion show highlighting the most successful pieces and a special photo shoot resulting in excellent coverage by a highly visible fashion magazine.

THE MOON AND THE STARS

TRENDS Omega's performance in 2009 was anchored by the success of its products and campaigns based on the 40th anniversary of the Apollo 11 landing, the redesign of the entire Constellation line, and some innovative timepieces equipped with exclusive Co-Axial calibers.

2009 was memorable for its historic, sporting and product milestones:

Omega commemorated the day in 1969 that the Speedmaster became the first and only watch to be worn on the Moon. Limited edition watches and events around the world feted the 40th anniversary of one of humankind's greatest achievements.

The brand also launched a redesign of its popular, iconic Constellation line.

In September, Omega renewed its Official Timekeeper contract with the International Olympic Committee up to and including the 2020 Olympic Games.

The revolution in mechanical watchmaking which started when Omega produced the first caliber with a Co-Axial escapement in 1999 enjoyed its tenth anniversary. These state-of-the-industry escapements are today included in most of Omega's mechanical movements. A global campaign celebrating Co-Axial technology and featuring the brand's ambassadors was launched in October.

Omega continued to refine its selective distribution strategy and to upgrade its entire retail network. Omega has boutiques in the world's prime retail locations, including one on New York City's Fifth Avenue, which opened in April.

CREATION In 2009, Omega introduced limited edition timepieces, relaunched a diving classic, extended the Seamaster Aqua Terra collection and presented the dramatic redesign of the entire Constellation line.

The new Constellation line The Omega Constellation, with its characteristic "griffes" or claws, is among the most recognizable watches in the world. The redesign of the entire line was launched in 2009.

The new watches have all the features associated with the family: the trademark star is still at the 6 o'clock position, the famous claws have been refined and updated, and the bracelets retain their familiar horizontal links but have been reengineered for even greater comfort.

The quality of the materials in the redesigned Constellations has been enhanced and each of the mechanical watches in the collection features Omega's exclusive Co-Axial technology.

Speedmaster Apollo 11 "40th Anniversary" Limited Edition Two Omega Speedmaster Professional Moonwatch Apollo 11 "40th Anniversary" Limited Edition watches celebrate the first lunar landing: one in platinum, the other in stainless steel.

The distinctive timepieces, powered by Omega's caliber 1861, share their lineage with the original Speedmaster Professional Moonwatch but there are some key differences, notably, the medallion marking the small seconds counter at 9 o'clock featuring an adaptation of Apollo 11's mission patch. These are crafted in sterling silver (for the stainless steel watch) and 18 carat gold (for the platinum edition).

The Seamaster Ploprof 1200M This year Omega introduced an updated version of the Ploprof, the classic and instantly recognizable diver's watch first produced in 1970. The new Seamaster Ploprof 1200M is, as its name suggests, water resistant to an astounding 1200 meters (4000 feet, 120 bar) and artfully combines its ancestor's legendary design features with Omega's state-of-the-industry Co-Axial technology.

The Seamaster Planet Ocean Liquidmetal® Limited Edition Omega launched the Seamaster Planet Ocean Liquidmetal® Limited Edition, the world's first watch to bond ceramics and a zirconium-based alloy called Liquidmetal®. Swatch Group researchers collaborating with Omega's product development team created a striking ceramic bezel whose numbers and scaling, made of the alloy, appear in stunning silvery contrast to the black ceramic background. The result is an aesthetic wonder made possible by several new and innovative processes. The world premiere was presented in a limited edition of 1948 pieces in honor of the year the Seamaster watch line was introduced.

Two new Aqua Terras: the Annual Calendar and the Co-Axial Chronograph Since its launch, Omega's Seamaster Aqua Terra collection has been warmly received by enthusiasts drawn to its blend of eye-catching design excellence and innovating watchmaking technology. Each Aqua Terra features the trademark "Teak Concept" dials whose vertical lines are reminiscent of the wooden decks on luxury boats. In 2009 Omega introduced two important new members of the family.

The Seamaster Aqua Terra Annual Calendar is equipped with the Co-Axial caliber 8601/8611 whose instantaneously operating annual calendar complication means that the date only has to be set manually once a year on 1st March.

The Co-Axial Chronograph has a luxury-finished movement combining the exclusive Co-Axial caliber 3313 and a free-sprung balance for outstanding long-term performance. The model's full chronograph function makes it at once fashionable and sporty.


OMEGA
Speedmaster
E. Cernan
OMEGA


OMEGA
OMEGA


OMEGA
J. ROGGE


OMEGA
Constellation


OMEGA
OFFICIAL TIMEKEEPER
0365
DAYS
23
HOURS
37
MINUTES
16
SECONDS

PRESENCE In 2009 Omega maintained its public profile through the sponsorship of prestigious events and the strategic use in advertising and promotional activities of its impressive roster of brand ambassadors, selected from among the world's most respected men and women – personalities who have distinguished themselves in their chosen professions and through their social activism. Major events in 2009 featured Nicole Kidman, George Clooney, Buzz Aldrin, Cindy Crawford, Michael Phelps, Eugene Cernan, Thomas Stafford and Zhang Ziyi.
Strong promotions in support of the 40th anniversary of the Apollo 11 mission and the release of the redesigned Constellation line were complemented by creative advertising campaigns, a glossy lifestyle magazine and proactive public relations in every market.

Events The year included historic reunions of astronauts, title sponsorships of major sports tournaments, and product and advertising launches. Some of the highlights were:
• **Countdown to the Vancouver 2010 Olympic Winter Games** On 12th February, Omega participated in events marking the minus one year milestone in the countdown to the Opening Ceremony of the Vancouver 2010 Olympic Winter Games.
• **Omega's Moonwalkers at Baselworld** At the Baselworld trade fair in March, Omega welcomed four of the twelve astronauts who walked on the Moon, along with a NASA flight director, the engineer who qualified the Speedmaster for NASA's piloted flights and several astronauts who made significant contributions to space exploration.
• **Omega on Fifth Avenue** In April, the Omega Boutique in New York City opened on Fifth Avenue, the world's most famous shopping street. Olympic superstar Michael Phelps greeted hundreds of well-wishers and members of the media at one of the latest additions to the brand's expanding network of boutiques.
• **The launch of the new Constellation** Omega's redesign of the entire Constellation line was celebrated at events around the world. Cindy Crawford appeared in London in October in support of the watch she has promoted since 1995. Zhang Ziyi helped launch the new Constellation in Shanghai and Singapore in August and November respectively.
• **Omega and golf** In 2009, Omega continued its title sponsorships of the European Masters and the World Cup of Golf. The Omega European Masters was the first event ever to be co-sanctioned by both the European Tour and the Asian Tour. Omega also assumed title sponsorship of the Dubai Ladies Masters and the Dubai Desert Classic.
• **Solar Impulse** Omega continued its active role as one of Solar Impulse's Main Partners, providing technological expertise and capital support to the project whose aim is to circumnavigate the globe in an airplane powered only by the sun. In June, the prototype was unveiled and, in November, it taxied powered by its own engines.

Communication Two new advertising campaigns, a biannual lifestyle magazine and the brand's enhanced web and social networking presence complemented Omega's other communications activities in 2009.
• **Advertising** The John F. Kennedy Library Foundation allowed Omega to use the late president's image and words in its campaigns for the 40th anniversary of the first lunar landing. Kennedy's challenge to send astronauts to the Moon and return them safely to Earth "before this decade is out" was one of the defining moments in space history. Television spots featuring Kennedy and Apollo-related images generated enthusiastic and emotional popular response.
In 2009 Omega developed a global campaign in celebration of the tenth anniversary of its revolutionary Co-Axial technology. Print ads and posters were created with images of leading brand ambassadors wearing or holding loupes, the magnifying glasses worn by watchmakers. The accompanying texts made reference both to the ambassadors' professional accomplishments and the quality and special properties of Omega's Co-Axial calibers.
• **Lifetime Magazine** Two issues of *Lifetime,* Omega's lifestyle magazine, were published in 2009. The Moon Edition, in April, and the Green Edition, in November, appeared in English, Chinese and Japanese with a combined circulation of 120 000 copies.
• **Omega online** Omega continued its substantial Web presence in 2009. Highlights included the launches of the German-language site www.omegawatches.de (in March) and the Fine Fragrance section (in November). Traffic increased on all of Omega's websites; with the largest increase being in the Asian markets. All-time record numbers of visits were set during the celebration of the 40th anniversary of Apollo 11. All main markets enjoyed an increase in online advertising. In 2009 Omega explored social networking options and launched www.facebook.com/omegawatches

FINE JEWELLERY In 2009, Omega continued to elevate the profile of its Fine Jewellery Collection and to bring it in line with its watchmaking offering, through a harmonization of design and promotion.
Supported by the design team behind the new Constellation timepieces, Omega complemented the watch line with the Griffes Constellation Collection. Its rings, necklaces, sautoirs, bracelets, and loose elements blend white, yellow or rose gold with diamonds and semi-precious stones. Each piece bears the iconic "Griffes" or claws which define Constellation watches.
A new display concept provided a layout consistent with the brand's image and, in global advertising campaigns, ambassadors wore Omega watches and jewellery: further steps towards making jewellery a key part of the Omega lifestyle universe.

Fine Leather Collection Omega's Fine Leather Collection, available exclusively through its international flagship boutiques since the end of 2007, continued to enjoy a warm market reception in 2009. The exacting standards of craftsmanship, design and superior materials which characterize Omega's watchmaking tradition have found new expression in the Collection.

Aqua Terra Eau de Toilette pour Homme Omega launched its first fragrance, Aqua Terra Eau de Toilette pour Homme. Alberto Morillas, the "nose" behind some of the world's most successful perfumes, created a fragrance which expresses the essence of the brand: authenticity, substance and innovation. More than a hundred high-quality raw materials were blended in the fragrance which is only available in Omega Boutiques.


OMEGA
OMEGA
OMEGA

Depuis 1775

THE YEAR OF THE LOUVRE

TRENDS 2009 was a difficult year for the whole of the watchmaking industry but Manufacture Breguet did not allow itself to be daunted by the turmoil of the crisis. The brand profited from this year by taking market share, inaugurating five monobrand boutiques, accelerating the development of new watch movements, increasing research into the use of new materials, in particular silicon, reducing production time, and preparing the third extension of its buildings, beginning with the L'Abbaye site. Breguet valiantly maintained all its employees without having recourse to short-time working, and engaged in an important on-going training program, improving the expertise of its employees and providing a targeted response to the new needs encountered during the manufacture of its products. Many professions were brought in-house and the number of employees working in the engraving, chasing and guilloché workshops, as well as in those for craftsmen engaged in high value-added decoration, was greatly increased. Breguet's objective of verticalizing its production process was thus attained.

Important work was also undertaken at the distribution level in order to present the Breguet products in a manner consistent with its brand identity. A large number of shop-in-shops were thus opened around the world.

Finally, 2009 was the moment for Breguet to remember that it had been ten years since the new management team, led by Nicolas G. Hayek, took over the brand, with the ensuing exceptional and unique watchmaking achievements experienced during that decade: the internal development of nine new movements and eight new Tourbillon models, as well as the registration of over 45 patents.

CREATION Delivery of all the new products presented in 2009 started at the end of the summer and all models, even the Grandes Complications and the two minute repeaters, were already in the market by October.

Marine Royale Alarme, water resistant to 30 bar (300 m) After the introduction in 2007 of the first tourbillon chronograph with silicon escapement, the Marine Royale was again complemented by a new exceptional model: the Marine Royale Alarme, water resistant to 30 bar (300 m). The self-winding movement with date of this watch is equipped with an alarm function for the delight of sports divers and lovers of fine complications. Tests have confirmed that sound is transmitted better under water than in the open air. For sound to be transmitted it must travel through matter and the speed of sound increases with the density of the medium in which it finds itself, so that sound travels four times faster in water than in air. The regulating crown and the pusher that activates the alarm are coated in molded rubber to facilitate the regulating of the timepiece and give it a resolutely modern and sporty appearance. The usual diving watch functions are also present, such as the luminous markers and unidirectional graduated turning bezel, with its visible security click situated between the two winding buttons on the exterior of the case. The indexes are luminescent, affording perfect legibility of the time even in deep water.

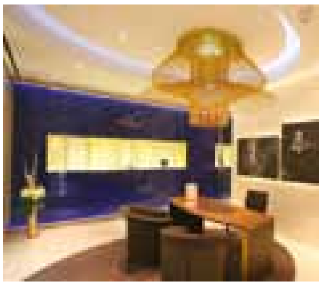
Breguet Classique 5967 Refinement and pure elegance are the key words to describe the 5967 timepiece, the latest model in the Classique de Breguet collection. The sapphire crystal back to the 41 mm case reveals the magnificent hand-winding movement with its impressive 15¾ line movement, adorned with Côtes de Genève engraving. A particularity of this timepiece can be found in the decoration of the gold dial, an original creation from the Breguet Manufacture's guilloché workshop, hand engraved to represent the rectilinear cubes with sharp angles inspired by the Art Deco movement. In this way this timepiece perpetuates the art of engraving dials using a rose-engine, emblematic of the brand since its creation over 230 years ago.

Classique 7337 – Date, moon phase and small second hand Incarnating the true essence of Breguet's Classique collection, this elegant timeless model indicates the day of the week, the age and phases of the moon, as well as the date. The hours and minutes appear on an eccentric hour circle, characteristic of Breguet watches, whereas the small second hand dial is placed at 5 hours, giving the whole the usual asymmetric touch. A 39 mm case with sapphire crystal caseback houses the famous extra-thin 502 Breguet caliber equipped with an additional plate.

Classique Grande Complication 7637 – minute-repeater The minute-repeater still remains the queen of complications, considered as the prerogative of only a few master watchmakers capable of adjusting with precision its extreme complexity. Breguet presented in 2008 its new way of conceiving this technological marvel, with a completely redesigned movement incorporating new materials and comprising innovative positioning of the gongs, gong holders and hammers. This patented technique is now used in the minute-repeater 7637. The large 42 mm case houses a minute-repeater movement entirely chased by hand, indicating the small second at 9 hours, and a 24 hours (day/night) secondary dial at 3 hours. The crystalline sound that comes from its case is unequalled in minute-repeaters without chimes.

Classique Grande Complication 7639 – High jewelry minute-repeater Also born from the Breguet acoustics laboratory, the Grande Complication 7639 takes on the minute-repeater function and adds to it the prestige of baguette diamonds. The unique form of diamond setting, reminiscent of the "Clou de Paris" motif is inspired by Breguet's legendary guilloché gold dials. Minimizing the amount of sound vibrations lost, the diamonds' properties in terms of hardness and purity favor their transmission to the outside of the case and improve still further the sonority of the timepiece. The 7639 watch therefore resonates with a pure sound that delights the lovers of great watchmaking with striking mechanisms. The whole case, including the horns, crown and dial, is covered in invisibly-set baguette diamonds, transforming this watch into a true jewelry item.

Classique Grande Complication 5347 Double Tourbillon Tournant The spectacular result of many years of development, the Breguet Double Tourbillon harbors a patented manual-winding mechanism with two tourbillons rotating on the hours axis. A technical and aesthetic masterpiece, this



timepiece comprises a rose gold case which houses more than 570 watch components meticulously assembled by the Breguet master watchmakers. Two tourbillons, independent one from the other, are coupled by means of a differential gearing mechanism and fixed on a central turning plate, which completes one rotation in twelve hours. The differential mechanism transmits the average working tempo of the two tourbillons to the plate and the hour display. Its perfect finish and the amazing engraving on the back of the movement combine to make this an exceptional timepiece. A hand-engraved guilloché-patterned plate, an hour circle of Roman numerals, pink gold gilded Breguet hands, decorated bridges and other beveled and polished parts of the mechanism unite to confirm the prestigious stature of this high class timepiece.

Tradition 7027 with black dial A visionary timepiece, both unique in watchmaking history and a symbol of the brand's return to its roots, the Tradition 7027 returns to the fore with three new bicolor versions. Totally constructed around the central pillar-plate, its now famous 507DR caliber enables the majority of the movement to be visible through the top of the watch. The case in rose or white gold houses a magnificent movement in dark grey which highlights the bridges and illuminates the gear train, notably emphasizing the bridge bearing the escapement and its famous traditional hand-beveled steel "pare-chute" shock absorber. The glossy black dial eccentrically placed at 12 hours is guilloché engraved by hand. The Tradition 7027 is also available in a rose gold version with the plate and bridges gilded in rose gold.

PRESENCE Like the exhibition that took place in Saint Petersburg in 2004, the exhibition organized at the Louvre in Paris, from 25th June to 7th September, entitled "Breguet, An Apogee of European Watchmaking", set a record in the number of its visitors, with over 110000 attendees. In the Salle de la Chapelle, the exhibition set out the different facets of Breguet's inventiveness and, in addition to an important collection of historical pieces collected over the last ten years by Nicolas G. Hayek, also benefited from major loans, notably from the Royal Collections in London, the National Museum in Switzerland, the Musée des Arts et Métiers in Paris, as well as from the Kremlin museums.

Desirous to protect the rich historical and cultural heritage of Europe, Nicolas G. Hayek decided to become a patron of the Louvre museum by financing the restoration work of the Louis XIV wing. This part of the museum houses the collections of the department of art, objects dating from the reign of the Sun King. This exceptional patronage of several million euros will enable the complete refurbishment of the Conseil d'Etat and Salon Beauvais rooms.

In November, Breguet presented its collection of chronographs at the Cité du Temps in Geneva. Entitled "Two centuries of Breguet chronographs", this exhibition retraced the history of Breguet chronographs, from the invention of the watch with independent second hand to the recent tourbillon chronograph of the Marine collection with its silicon escapement.

In 2009 Breguet opened new boutiques in Yekaterinburg, Hong Kong, Seoul and Taipei.

After having been presented in Geneva in 2008 and then at Baselworld 2009, the travelling "Marie-Antoinette" exhibition, accompanying the precious watch of the same name and retracing its epic creation, left for its world tour of Tokyo, Los Angeles and New York, with other destinations also lined up for 2010.

BREGUET HIGH JEWELRY Breguet jewelry enjoyed growing success in the market and was presented at most of the brand's national and international events this year. Particular focus was placed on the trade shows with increased jewelry presence in Mexico, Bahrain, Singapore, Tokyo, Los Angeles and New York. A travelling exhibition bringing together a number of high jewelry pieces will be put in place in 2010. Breguet also placed a strong accent on the editorial presence of its jewelry in magazines, thus positively influencing the perception of the brand in the jewelry segment and raising its brand awareness in this sector.

Thanks to the patronage of Breguet, the restoration of the Petit Trianon enabled Marie-Antoinette's Estate to be reopened to the public. Passionate about jewelry, Marie-Antoinette had a refined taste for beautiful things and, far from the splendors of the Versailles court, loved to let herself succumb to reverie in this peaceful location, conceived by women for women. The refined simplicity and bewitching charm of this retreat inspired the designers at Breguet to create two new graceful pieces of fine jewelry. Breguet High Jewelry therefore presented in 2009, as an ode to feminine elegance, two new collections inspired by the charming, simple and delicate surroundings of Marie-Antoinette's Estate.

Composed of a necklace, a bracelet, a ring, earrings and a matching watch, the Le Petit Trianon collection symbolizes its namesake in the gardens of Versailles. For the necklace, a splendid central emerald-cut diamond, illustrating the pure charm of the discreet haven to which Marie-Antoinette used to escape from the constraints of court life, is subtly linked by princess-cut diamond-set rings to a majestic river of diamonds, symbolizing the splendor of the Versailles court. The stark contrast of these two worlds perfectly incarnates the ambiguous universe of the Queen, Breguet's inspirational muse. The latest Breguet creations associate the cameo art present in the Reine de Naples watch collection with the world of Marie-Antoinette. The Queen adored roses and pearls and is represented in all her portraits with at least one of these two emblematic accessories. Inspired by the portrait by Madame Vigée-Lebrun, *Marie-Antoinette à la rose,* which hangs in the Petit Trianon, the jewelry set La Rose de la Reine materializes the universe of Marie-Antoinette in a contemporary design. The sautoir of Akoya pearls is adorned with a broach in the form of a delicate rosebud cameo, underlined with a ribbon of diamonds. A traditional art form from the south of Italy, consisting of engraving by hand a relief image on the surface of a shell so as to bring out the ochre and brown colors of the underlying layers, the cameo ensures the unique nature of each piece. The La Rose de la Reine collection also comprises a bracelet, small earrings, a pendant and a ring.

BLANCPAIN
MANUFACTURE DE HAUTE HORLOGERIE

TURNED TOWARDS THE FUTURE

TRENDS After a record year in 2008, and despite the difficult economic context, Blancpain continued to gain market share in 2009 and to pursue its strategy of boutique openings in the United Arab Emirates, Russia, Hong Kong and China.

The remarkable performance of the Fifty Fathoms collection and the excellent positioning of the Villeret classics contributed to maintaining the brand in Europe, the United States, Russia and India.

Blancpain reinforced its position in Asia, notably in China where sales results were higher than in 2008. The brand therefore confirmed its position as number two in the prestige segment in the region.

The launch of the new L-evolution line at the end of 2009 met with great success in all markets, as orders taken at Baselworld 2009 had led to expect.

CREATION **New calibers 13R5, 66R9 and 5215**

After the 13R0, 1315 and the Carrousel 225 introduced in 2006, 2007 and 2008 respectively, Blancpain presented three new high level movements in 2009. The 13R5 and 66R9, derivations of the 13R0 caliber, and the 5215 caliber complete a line of movements that combine avant-garde technology with watchmaking tradition. These innovative movements are the result of a quest for simplicity, precision and performance and are finely decorated, enabling Blancpain to reinforce its image as a manufacturer of high-end watchmaking, both through the virtuosity of its complications and the care taken to evolve watchmaking art in its minutest detail.

Collection L-evolution Created in 2009, the 13R5 caliber with date and 8-day power reserve, and the 66R9 caliber with its perpetual calendar and moon phase complication have found in the new L-evolution collection the perfect showcase to set them off, with four models: Automatique 8 Jours, Phase de Lune 8 Jours, Tourbillon GMT 8 Jours and Réveil GMT. Exclusive, contemporary and perfectly streamlined, the L-evolution comes with a compact case measuring 43.5 mm in diameter and movable horns for a perfect integration of the leather strap or metal bracelet. The case is water resistant to 10 atm/bar and shows, through its sapphire crystal caseback, a fine hand-finished mechanical movement. The multi-level dial reveals a base plate with Côtes de Genève decoration, conferring upon the whole a remarkable architectural depth of design.

Tourbillon Diamants Novel and exclusive, the new Blancpain "baguettes" diamond setting is to jewelry what the tourbillon is to watchmaking. This exceptional piece uses cutting-edge techniques to set the entire dial, bezel, central part of the case and horns with 760 diamonds, totaling 20 carats, providing a unique visual effect. The exterior sparkle of this exceptional timepiece is only equaled in beauty by its interior, since the Tourbillon Diamants houses the Blancpain 25A caliber, a self-winding mechanical movement comprising 238 components and offering a 7-day power reserve. The sign of high-end watchmaking, beveled components, Côtes de Genève decoration and circular-graining are operations realized through the precise gestures of the craftsman's art. The white gold case of the Tourbillon Diamants measures 40 mm in diameter and is water resistant to 10 atm/bar. Its transparent sapphire crystal caseback enables one to admire the superb finish of the components and to appreciate the swing of the chase-engraved oscillating weight.

Chronographe Flyback Super Trofeo A chronograph limited edition of 300 pieces was created in 2009, born out of the partnership between Blancpain and Lamborghini. Composed of new materials, this chronograph has a flyback function and is made of treated DLC steel. With a form inspired by the front of a Lamborghini Gallardo, its case, water-resistant to 10 atm/bar, alternates satin and polished surfaces. The F185 caliber, a mechanical self-winding movement comprising

308 components, offers a power reserve of 40 hours. To underline its dynamic character, the watch has undergone NAC treatment, a state-of-the-art galvanic process which blackens the bridges and supporting plate. The Chronographe Blancpain Super Trofeo comes with a strap made of Alcantara – like the seats of the Gallardo – with a steel folding buckle.

500 Fathoms Sporty *par excellence* this "big sister" – in size – to the Fifty Fathoms, the 500 Fathoms, made a noted entrance to the collection of Blancpain diving pieces. Imposing, with its 48 mm case, the watch is water resistant to 100 atm/bar. An automatic decompression valve placed inside the brushed titanium case guarantees the safety and reliability of the watch during a dive without the need for any further manipulation. Large phosphorescent Arabic numerals engraved into the sun-ray of metal appliques offer increased legibility, with optimum comfort in all circumstances assured by the luminescent coating applied on the indexes, the bezel markers, the hands and the red point of the *trotteuse,* as well as the luminescent black background of the dial. Made of titanium and scratch-proof sapphire crystal, the unidirectional turning bezel is notched for easier handling and slightly domed to limit any impacts. The sapphire crystal caseback reveals the hand-decorated self-winding 1315 caliber with its oscillating weight in the form of a boat's propeller. The 500 Fathoms Cannes 2009 comes with a black yacht sail canvas strap, lined in rubber. A second rubber strap, together with the special device for fixing it to the case, form the full panoply of this watch set, which is delivered in a special ultra-resistant waterproof box.

500 Fathoms GMT A derivation of the 1315 caliber, the self-winding 5215 caliber – with GMT function – is one of the movements developed by Blancpain in 2009. Housed in a titanium case measuring 48 mm in diameter, this movement works a diver's watch whose sporty contemporary character will charm even the most demanding lovers of exceptional timepieces, on both sides of the meridian line. Endowed with an automatic helium-filled decompression valve, the 500 Fathoms GMT is water-resistant to 100 atm/bar. Large luminescent trapezoid indexes offer increased legibility in all circumstances. The oversized numbers at 6, 9 and 12 reinforce the sturdy character of this timepiece whose sporty function is ratified by the showing of a second time-zone by a red-pointed fourth central hand and the 24 hour indication on the edge of the black dial. This complication is highly prized by a cosmopolitan clientele.

Blancpain Women Saint-Valentin 2009 For Valentine's Day, Blancpain presented an exclusive version of its Chronographe Flyback. An allusion to its pioneering spirit when it comes to ladies timepieces, this watch houses a F185 caliber, as did the very first ever ladies flyback chronograph. Modern and elegant to the tip of its hands, the Blancpain Women Saint-Valentin 2009 marries daring design with a spirit of mischievousness. The timepiece offers an harmonious combination of 34 mm steel case and a white mother-of-pearl dial adorned with a precious heart of rubies. Traditionally the color of passion, the watch's crimson red picks out the symbolic number 14. The contemporary styled Arabic numerals and the slender skeletal hands complete this limited edition of 99 pieces, adorned with a hand-stitched white alligator strap with folding clasp.

Limited edition Fifty Fathoms Faithful to its immediately recognizable design, this Fifty Fathoms timepiece is adorned with all the mysterious nuances of the oceanic deep. Numerals, indexes and hands contrast against the dial, with its cobalt blue glints. The hands, bezel markers and the graduated scale of the last fifteen minutes are coated in a luminescent material to ensure good legibility whatever the circumstances. A slightly domed scratch-proof sapphire crystal glass and unidirectional turning bezel with embossed markers add the finishing touches to the high-tech design of this elegant sports timepiece. Equipped with a crown protection, the white gold case measures 45 mm in diameter and houses the robust Blancpain 1315 caliber with its power reserve of 5 days. The sapphire crystal caseback shows the fine finish of the self-winding movement and its unique engraved oscillating weight shaped like a diver's mask. Produced in 50 exclusive pieces, this prestigious timepiece, water-resistant up to 30 atm/bar, is accompanied by a superb work of photographic art dedicated to the underwater world. This book reflects the qualities of the diving watch whose name it bears and uses the very latest techniques in modern printing.

PRESENCE

Opening of Blancpain boutiques in Hong Kong and Yekaterinburg In December 2009, Blancpain inaugurated two boutiques in Hong Kong and Russia. These two "embassies" of the brand form part of its strategy to establish Blancpain boutiques in the principal commercial centers of the world, a policy which will soon lead to the opening of a point of sale in the heart of one of the most legendary squares of Europe.

Lamborghini Blancpain Super Trofeo Creators of exceptional timepieces and generators of mechanical passion, Blancpain and Lamborghini united their expertise to create the first Lamborghini car trophy, the fastest and most demanding monobrand championship in the world. From May to October 2009, the Lamborghini Blancpain Super Trofeo thus sped along the racing tracks of Europe. This partnership consecrates the technical and aesthetic performance of two manufacturers combining tradition with innovation.

The Cannes International Boat and Yacht Show To honor its fifth participation at the Cannes International Boat and Yacht Show, the Manufacture from Le Brassus (Vallée de Joux) presented in September 2009 an exclusive series of its new 500 Fathoms timepiece. Limited to 50 pieces, this high level sports watch provides both impressive design and effective performance which celebrates its legendary beginnings, that of the first modern day diving watch, the famous Blancpain Fifty Fathoms.

Only Watch 2009 For the third Only Watch charity auction, organized in September 2009 during the Monaco Yacht Show, Blancpain created a unique version of its new diving watch, 500 Fathoms. At a starting price of 15 000 euros, the Blancpain Only Watch N1/1 finally went for 22 000 euros, a sum entirely donated to the research into Duchenne muscular dystrophy.

Bocuse d'Or 2009 24 contestants but only one winner: the Norwegian restaurateur Geir Skeie took home in January 2009 the most sought-after trophy in the world of international gastronomy. Official Timekeeper of the Bocuse d'Or 2009, Blancpain presented the laureate with a watchmaking masterpiece: its Chronographe Flyback Grande Date, whose wall clock replicas measured the time allotted to each participant – five hours and 35 minutes – during the two grueling days of the contest.

Fifty Fathoms Exhibition at La Cité du Temps In January 2009, as a premiere to the world launch of its limited edition Fifty Fathoms, Blancpain organized a unique exhibition at La Cité du Temps in Geneva dedicated to an icon of the deep: the diving watch Fifty Fathoms. In this world exclusive exhibition, fans of underwater exploration and of exceptional timepieces were able to discover the epic of this watchmaking legend and to immerse themselves in the world of the brand's diving watches, brought together for the first time under the same roof.

Glashütte
ORIGINAL

HISTORY, PRESTIGE AND SAXON WATCHMAKING KNOW-HOW

TRENDS 2009 was a year of consolidation for Glashütte Original, crowned with success in a number of markets despite the difficult economic situation. Positive development was achieved notably in the home market of Germany as well as in Asia. The brand is also shortly to enter South Korea.
The development of the retail network continued with the opening of the first monobrand boutique in Hong Kong, inaugurated officially at the end of October and chosen as the second stop of the global roadshow launching the first officially certified chronometer by Glashütte Original: Senator Chronometer. Other locations for this roadshow included Zurich, New York and Moscow.

CREATION **Senator Chronometer – Precise to the Second** At Baselworld 2009, Glashütte Original proudly presented the Senator Chronometer, its first officially certified timepiece. Precise synchronization of the minute and second hands was rendered possible by the newly constructed Glashütte Original manual-winding Caliber 58-01, and a novel stop-seconds / reset mechanism allows the wearer to set the precise time with ease.
Glashütte Original Pocket Watch No. 1 – The rediscovery of a way of life Elegant handmade pocket watches have always been a symbol of style and sophistication. With the launch of the Glashütte Original Pocket Watch No. 1, the Manufacture harkens back to a bygone age and presents a timelessly elegant rose gold pocket watch with quarter-hour repetition, which comes in a worldwide limited edition of 25 pieces, inspired by an historical model designed by Julius Assmann, a famous pioneer of the Glashütte watchmaking industry.

Senator Sixties Square Chronograph – A Matter of Form The design of the Glashütte Original Senator Sixties collection clearly reflects the joie de vivre and geometric forms of the 1960s. The squared cushion shape, particularly popular at the time, inspired the creation of the Senator Sixties Square Chronograph. The convex sapphire crystal, antireflective on both sides, gives an unobstructed view of the domed dial and skeletal hands, which glide harmoniously across the satin-finished background of the dial, featuring diamond-cut hour markers fitted with Superluminova dots and an extravagant numeral font, perfectly reflecting 1960 designs.

PRESENCE

The Glashütte Original Music Festival Prize 2009 On 23rd May, the sixth award-giving ceremony of the Glashütte Original Music Festival Prize, sponsored by the brand since 2004, took place in the world-famous Dresden Semperoper, as part of the Dresden Music Festival. The prize, worth 25 000 euros, was awarded to the young, up-and-coming Venezuelan conductor, Gustavo Dudamel, honored not only for his talent as a classical musician but also for his commitment to the educational program El Sistema. The award was presented by the Managing Director of Glashütte Original, Günter Wiegand and by the Director of the Dresden Music Festival, Jan Vogler.

Senator Chronometer – Kick-off in Berlin for the worldwide roadshow Entitled “Moments. Seconds. Emotions”, the worldwide roadshow of the first masterpiece with official chronometer certificate started with an exclusive event inviting over thirty watch aficionados to the prestigious “Unter den Linden”, a location which combined three important elements: the historical German capital of Berlin, the majestic Adlon Grand Hotel and a longstanding retail partner, reminiscent of the essence of the brand – German history, prestige and watchmaking know-how.

German watchmaking tradition at the GUM From 11th November until 5th December, the Saxon watch Manufacture, in association with Sublime by Bosco, was on display at the famous GUM in Moscow for the first time. Benefiting from a 65 m^2 exhibition area, the brand provided insights into its rich past and flourishing present.

A successful year for the German Watch Museum Glashütte After its successful opening in 2008, the museum continued to attract watch enthusiasts from around the world. By the end of 2009, the museum had already welcomed more than 73 000 visitors and is now a well-established regional and national institution.

Three major events contributed to the popularity of the museum and its exhibits in Germany and abroad:

- Presentation of the museum to an Asian audience for the first time at an exhibition in Hong Kong from 14th to 17th May.
- Participation in “International Museum Day”, that took place throughout Europe on 17th May.
- Demonstration of Saxon watchmaking in the “Engineering Art from Saxony” pavilion at the high-profile event in China, “Germany and China – together in motion”, which took place in the city of Wuhan (Hubei Province) in October.

JAQUET DROZ

A NEW STAGE OF DEVELOPMENT

TRENDS During every period of its history, Jaquet Droz has placed innovation at the heart of its identity. 2009 was a year of great changes, with the accomplishment of new important milestones.
The start of work on the new Jaquet Droz head office is the crowning glory of the brand's constant success. Located in the Neuchâtel mountains, the future site will enable the brand to group together under one roof all the different professions, thus providing an important potential for growth. Acting as a veritable showcase of technical know-how and craftsmanship, the Manufacture will eventually be able to house around a hundred employees as well as a showroom.
Despite a rather morose economic climate, Jaquet Droz enjoyed good growth in 2009, with the consolidation of its position in existing markets, thanks to the opening of fifteen new points of sale, as well as new developments, notably in Benelux, Azerbaijan, Armenia, Israel, the Czech Republic and South Africa.
The use of marketing tools, such as new displays ensuring a controlled presence at retail level perfectly in line with the brand's image, also illustrates Jaquet Droz's ascension in the markets.

CREATION **Hommage La Chaux-de-Fonds 1738**
Composed of timepieces with grand complications, the collection Hommage La Chaux-de-Fonds 1738 was enriched with new models in 2009. A true watchmaking work-of-art, The Rattrapante thus displays on its Grand Feu enamel dial a complex play of hands in red gold, whilst still offering perfect legibility. Also in black enamel with red gold, the multi time-zone The Twelve Cities concentrates into only a few square centimeters twelve different time-zones.

Hommage Genève 1784 The collection Hommage Genève 1784 was also joined by several new models. An exceptional ladies watch, The Grande Seconde Shiny is a symphony of gems and light, a virtuoso of stone-setting. Combining technical performance, the exuberance of racing cars and absolute elegance, the Grande Seconde SW line, which confers a certain nobility to sports watches, was also extended with two new models: The Grande Seconde SW^{BLACK} which, in black PVD, combines the force of design with modern materials, and la Grande Seconde SW^{RED} which stands out through its strong red and black interchange of color. Highlighted by its streak of color, a reference to the neo-flash trend of 2009, The Grande Seconde Power Reserve Ceramic is a fusion of the best in design and technology.
Hommage Paris 1785 Two models joined the Hommage Paris 1785 collection. The Heure Sélénite shows a crescent moon in ivory-colored mother-of-pearl and a full moon in black onyx, on a diamond-set dial with sparkling diamond stars set-off against a background of black diamonds. The Heure Céleste dedicates the whole of its black or white dial to a galaxy of planets in red or white gold set with diamonds. A newly developed sapphire crystal watch glass allows light to illuminate this sparkling spectacle from new and different angles.
Hommage Londres 1774 Characteristic of Jaquet Droz's DNA, the model The Origine Enamel was added to the collection Hommage Londres 1774. Materializing still further a perfectly executed know-how, this model is representative of part of the Manufacture's identity, that of the making of the three-century-old art of Grand Feu enamel a treasure of modernity. The tradition of this prestigious heritage is illustrated by the classical lines, noble Roman numerals and the generous size of the 43 mm steel watch case.

PRESENCE The first stone of the new Jaquet Droz Manufacture was laid at Le Crêt-du-Locle on 9th September 2009 in the presence of Nicolas G. Hayek and Nick Hayek, as well as the brand's management board and representatives of the local authorities. In this way, in front of around fifty journalists, Jaquet Droz entered a new stage of its development since its integration into Swatch Group in 2000.
With a similar number of visitors to its stand to that of 2008, including more than 250 journalists from the trade, lifestyle and economic press, Baselworld 2009 was a great success for Jaquet Droz. In an economic context with clients and retailers becoming more selective, these timepieces which incarnate history, skilled craftsmanship, technical know-how and design, make the brand one that can be relied upon.
Only Watch is a charity auction which takes place in Monaco every two years, with proceeds going to research into Duchenne muscular dystrophy. This year, the unique piece offered by Jaquet Droz, a Grande Seconde in white ceramic with a red Grand Feu enamel dial, was sold for a total of 15000 euros.


TIFFANY & CO.

TIFFANY & CO.

SOPHISTICATED LUXURY

Tiffany Watch Co. Ltd unveiled its first Collection of timepieces at Baselworld 2009. This exciting initiative is the fruit of a strategic alliance between Swatch Group and the legendary American jeweler Tiffany & Co. that marries the technical expertise, the consolidated luxury segment experience and the distribution prowess of the world's largest manufacturer of watches with the international brand distinction and credentials of Tiffany & Co.

Following its creation in January 2008, Tiffany Watch Co. Ltd, joins the Swatch Group's family of prestige and luxury brands and has embarked on a mission to design, manufacture and distribute high-end luxury watches on a par with the prestigious reputation Tiffany & Co. has already consolidated in jewelry. The new high-end luxury watches are designed and manufactured in Switzerland.

Presented in a variety of precious metals, including a variety of diamond settings, the first collections to be launched revisited some of Tiffany's original design sources, in particular with the emblematic Atlas line, a collection that encapsulates the intrinsic spirit and DNA of Tiffany & Co.

The first markets to receive the new watches were USA, Middle East, Europe, and Asia (China, Hong Kong, Korea and Japan), with further expansion planned in 2010.

A dedicated advertising campaign containing the emblematic blue Tiffany & Co. box was used around the world.

Collections The Atlas line is the hallmark Tiffany & Co. design motif with the characteristic large Roman numerals and the round dial, inspired by elements found on the famous Atlas clock that guards the entrance to Tiffany & Co.'s flagship boutique on 5th Avenue.
In addition to the Atlas line, other families complete the watch collection, such as the Tiffany Grand, Tiffany Mark, Cocktail watches and the Tiffany Tesoro line.

Baselworld 2009 The enormous prestige of the Tiffany & Co. brand and the Swatch Group's watchmaking expertise and experience in the luxury segment form a powerful platform on which to build one of the world's top luxury watchmakers. The unveiling of the new models from Tiffany Watch Co. Ltd at Baselworld 2009 was therefore an event eagerly awaited by press and customers from around the world, who crowded to the brand's stand at the Swatch Group Plaza to be the first to see the new creations. The resulting media coverage and global orders consequently met with expectations.


TIFFANY&CO


LEON HATOT

LÉON HATOT
MAÎTRE JOAILLIER 1905

HIGH-END EXCLUSIVITY

Integrated into Swatch Group in 1999, the historic brand Léon Hatot has since then enjoyed a focused development. Building upon its award-winning Art Deco heritage and inspired by the archives of drawings left by its founder, the brand offers striking ultra-feminine jewelry creations and timepieces that combine elegant vintage glamour with contemporary chic; as witnessed by the ingenious opening gem-paved panels of the Secret watch collection. These items have proved to be particularly prized by a select luxury clientele looking for something exclusive and out of the ordinary.
The emblematic range of prestige Léon Hatot watches and jewelry, specifically designed for ladies, continues to combine the three major attributes of the brand's founder (high-end jewelry design, meticulous detailed precious metal engraving and proven watchmaking expertise), using a wide range of colored gem stones in both antique and modern cut styles, including its own exclusive branded Coup de Foudre® diamond cut.
These products will now be available exclusively in the Léon Hatot flagship boutique in the heart of Geneva, as well as in the high level chain of Swatch Group Tourbillon stores in premium locations around the world.
This decision of very select distribution is expected to be welcomed by Léon Hatot's prized customers, as it underlines the prestigious stature of the brand and will ensure a total control of the retail environment, perfectly adapted to the exclusive intimate nature of its products.
Given the brand's very rich European heritage, a new collection particularly orientated towards European and Swiss tastes is under preparation.

LONGINES

TRADITION, ELEGANCE AND SPORT

TRENDS Longines managed to maintain solid growth and confirmed its position of leadership in the market through the continuity of a strategy adopted since 2007, relying upon the three pillars of the brand: tradition, elegance and sport.
From a product standpoint, the year was marked by a constant increase in demand for mechanical watches for the timepieces of the traditional category. The launch of the Longines PrimaLuna collection for ladies, particularly the steel/gold models completed the solid offering of the brand in the elegance segment. The sports collection was enhanced by new models, supporting Longines further engagements in sports timekeeping, notably in the realm of tennis where the brand became Official Timekeeper of two additional tournaments in Russia and Japan.

2009 was also an important year on the retail front with the brand opening nine new franchised stores in line with its new Longines Flagship Store concept in Saint-Petersburg (Russia), Baku (Azerbaijan), Hanoi (Vietnam), Phnom Penh (Cambodia), Shenyang, Hong-Kong, Macao and Shanghai (China), and Kaohsiung, (Taiwan) as well as two fully-owned boutiques in China in Macao and Hong Kong.

CREATION

Tradition: The Longines Column-Wheel Chronograph Given its long timekeeping tradition, Longines launched in 2009 a timepiece that pays homage to the different watchmaking innovations developed by the brand throughout its prestigious history. The Longines Column-Wheel Chronograph, houses a new caliber, developed exclusively for Longines and other Swatch Group brands by ETA, an automatic chronograph movement with a column-wheel used to drive the different timing mechanisms, a technique first used by Longines in 1878.

Elegance: Longines PrimaLuna In combinations of steel, yellow gold, steel and rose gold or rose gold with a leather strap and its case emboldened with diamonds, the Longines PrimaLuna offers to every modern day Sheherazade a wide range of elegant timepieces. Its white, silver or mother-of-pearl dials with choice of Arabic numbers, Roman numerals or diamond indexes provide a plurality as rich as that of women themselves – elegant and contemporary – showcased with great success around the world in a 1001 Nights backdrop.

Sport: Longines Admiral The Longines Admiral timepiece evokes the prestigious dimension of sport where aestheticism, precision and the beauty of movement reign supreme. Three new models enhanced the Longines Admiral collection in 2009: A 24 hours second time-zone watch and a chronograph come with a striking black or grey ceramic bezel with matching ceramic bracelet links, providing high-tech sophistication, whilst a combined 24 hours second time-zone chronograph offers chic sporty performance.

PRESENCE 120 years of trademark protection

Longines celebrated 120 years of the registration of its logo still used to this day. Protected in Switzerland since 1889 (at the OFPI), this mark, composed of a winged hourglass and the name Longines, constitutes the oldest trademark still in activity and without modification in the international registers held by the World International Property Organization (WIPO). To celebrate the 120 years of this registration, the brand held an international press conference at the Cité du Temps in Geneva, supported by a themed exhibition, and published a study dedicated to its logo. Longines also created two numbered limited edition watches, each of 120 pieces, the Longines Heritage Retrograde.

Longines and Tennis Roland-Garros: Longines has been Official Timekeeper since 2007 of the French Tennis Open at Roland-Garros, one of the most elegant tournaments of the season. In 2009 the brand benefited from additional image awareness thanks to its two international ambassadors of elegance, Stefanie Graf and Andre Agassi, who were present in Paris for the finals weekend, presenting the trophies to the winners of both the mens and ladies tournaments. The legendary tennis couple also participated in exhibition matches with children from around the world, invited by Longines, in an action organized to raise funds for their respective charity foundations. Following a press conference, a gala dinner was given at the Pavillon Cambon in the presence of a number of celebrities. Longines young sports ambassadors, Agnieszka Radwanska and Tsung-Hua Yang, also represented the brand during the tournament with impressive performances.

Rakuten Japan Open: Longines reinforced its presence in the tennis world by becoming the Official Timekeeper from 2009 to 2011 of the Rakuten Japan Open Tennis Championships, the oldest tournament of the ATP World tour in Asia, held for the first time in 1973, and the most important tennis tournament in Japan.

Kremlin Cup: Longines also became Official Partner, Timekeeper and Watch for another ATP World Tour tournament, the Kremlin Cup, for 2009 to 2011. Held in the Olympic Stadium in Moscow, the Kremlin Cup was founded in 1990 and has become the most important international professional tennis tournament in Russia.

Longines and Equestrian Sport Royal Ascot: For the third year running, Longines was the Official Timekeeper of Royal Ascot and partner of the fashion show held during the Royal Meeting in June. This year, additional brand awareness was

engendered by the attendance at the races of Bollywood star and Longines ambassador of elegance for the last ten years, Aishwarya Rai Bachchan. Ascot is considered around the world as one of the most prestigious and elegant events in the social sports calendar, combining tradition and performance for nearly 300 years, since Queen Anne first discovered the potential for the races in Ascot, holding the first Queen Anne Stakes on 11th August 1711.

The Nations Cup: Longines was again the Official Timekeeper of a number of stages of the celebrated show jumping Nations Cup championship, including the CSIO of La Baule (France), Piazza di Sienna (Italy), St Gallen (Switzerland), Hickstead (UK), Dublin (Ireland) as well as the CHIO in Rotterdam (Netherlands) and Falsterbo (Sweden).

Longines and Alpine Skiing Longines was also again Official Timekeeper of the Alpine Skiing World Cup, organized by the International Ski Federation (FIS) and for the World Alpine Skiing Championships held in Val d'Isère (France). The Norwegian skier Aksel Lund Svindal, Longines ambassador of elegance, enjoyed an exceptional season 2008/2009 becoming the overall champion for the World Cup, winning the Crystal Globe for the Super-G and bringing home the Gold Medal for the Super Combined at the World Championships.

Longines and Gymnastics Official Timekeeper and data-handler since 1989 for the artistic and rhythmic gymnastics competitions, organized by the International Gymnastics Federation (FIG), Longines was again present this year at the World Championships for the two events, respectively in London (UK) and Mie (Japan). The Russian gymnast Evgenia Kanaeva, the new Longines ambassador of elegance, gave an outstanding performance, obtaining six gold medals in the rhythmic gymnastics World Championships, a first in the history of the discipline. Finally, Longines signed another ambassador of elegance in the person of the Swiss gymnast, Ariella Kaeslin, who also enjoyed a remarkable season in the gymnastics circuit.


RADO
20
10
8
60
40
20

RADO
SWITZERLAND

100% FORM AND MATTER

TRENDS **Investing in continuity** Synonymous with continuity, Rado's activities in 2009 were a prolongation of the actions taken to confirm its positioning as a technological and design-oriented watch brand. This consistency could be seen in the notable launch of a permanent new collection entitled r5.5 and signed by the famous designer Jasper Morrison, as well as by the brand's retail development, with the opening of several new boutiques. Work on the distribution and positioning of the collections also continued and contributed to reinforcing Rado's image. These investments show the stability and strength of the brand. Exposed to the difficult economic context in certain countries, such as the USA, Mexico, Puerto Rico and Spain, Rado still managed to enjoy positive growth and increased its market share in a number of countries, including Canada, India, South Korea, Italy, Poland and Russia.

Definitely a pioneer 2009 saw the Ceramica celebrate its 20th anniversary. By making ceramics its chosen material long before the watchmaking industry as a whole, Rado displayed that pioneering spirit which enabled it to produce the first watch in hard metal, to impose sapphire crystal as a norm and to realize a coating as hard as a diamond. For Rado, ceramics form the object of constant innovation. In 2009, the material was adapted for the collection r5.5 with a new grey-brown color produced for the limited edition chronograph, True Platinum Matt, completing the existing line. The material once again charms by its intrinsic properties and confirms Rado as the uncontested leader in its utilization.

Contributing to the talents of tomorrow Rado shows its propensity to dream up the future by celebrating matters and forms yet to be invented. The brand thus reinforced its privileged ties with the world of design through a collaborative platform aimed at young designers. It also highlighted their projects during different design events, aimed not only at professionals but also attracting a wider public audience through their entertainment and lifestyle focus. Rado is one of the first brands to identify this trend and the presentation of the talents of tomorrow, a source of inspiration, enabled the brand in 2009 to place itself strategically in the limelight and increase its visibility.

CREATION **Design and technology comes naturally** The launch of a new line concretized Rado's continuing collaboration with Jasper Morrison. Named the r5.5 because of the 5.5 mm radius of the rounded corners of the dial, this all-ceramic watch was presented at Baselworld 2009. Its sober aestheticism underlines the brand's identity, characterized by the fusion of elements. This strategy can be found in a line which, through its technical prowess, offers a bracelet that extends from the watchcase in a negative curve. This creation of apparent simplicity was awarded a number of distinctions, including the famous IF Product Design Award 2010.

An icon celebrates two decades of existence Through its graphic lines, the Ceramica constitutes an icon of watchmaking and design since 1989. The latest developments to this line mean that it remains contemporary twenty years later. After the Sintra and Integral models, the Ceramic line was complemented by a new model in the golden ceramic recently developed by Rado.

In the same spirit as the collection Ceramica XL Colors, whose colored metalized sapphire crystal marked 2008, the chronograph of the same name, launched in 2009, offers a version of the same sultry intensity. Models in vibrant blue, violet or luminous green, are set with sapphires, amethysts or tsavorite garnets in its jubilee version.

Underlining its geometric identity, the Ceramica line presented for the first time in 2009 a model with a pavé dial in near colorless or black baguette diamonds. This tone-on-tone setting crowned by a metalized sapphire crystal glass, covering the whole top of the case, gave a structured monochrome effect. This piece of high-end jewelry generated considerable impact in the international prestige magazines.

Functionality and modernity A new chronograph with sober lines joined the Integral line in 2009. The Sintra line was enriched by a new automatic model, whose black dial contrasts strongly with the shiny platinum ceramic of the bracelet. Combining functionality with a perfect finish, these two creations are an illustration of a proven simplicity and efficiency that makes them modern-day classics.

Absolute strength and seduction A concrete realization of the original pure and inalterable vision of Rado, V10K represents since 2004 a milestone in watchmaking for having reached the level of hardness of 10000 Vickers. In 2009 the brand associated this high-tech diamond simulant with natural diamonds for a new V10K with a pavé dial entirely in black diamonds. Offering a subtle contrast of materials and light, this pioneering watch charms by its sober brilliance.

PRESENCE **Investing for even greater attractiveness** The enlarging of its network of Rado boutiques and the launch of new display material enabled the brand to reinforce its presence in all markets. This improvement also concerned media exposure with investments made in advertising in the major international press publications and an increase in press coverage. Despite the difficult economic conditions, the brand obtained a good share of voice and reinforced its attractiveness.

Rado stores After Hong Kong, Dubai and Bahrain in 2008, Rado made retail investments in Moscow, St Petersburg, Mumbai, Chennai, Cochin, Bangalore, Kuala Lumpur, Shenzhen and Shanghai. The boutiques incarnate an aestheticism that perfectly illustrates the message carried by its products. Unveiled in 2007 for the first time in Vienna, this coherent design was celebrated on the second anniversary of the opening of this emblematic boutique in the heart of the Austrian capital's historic center. By the end of 2009 the brand's network of boutiques around the world had reached 13, as well as an additional 15 new shop-in-shops opened throughout the year.

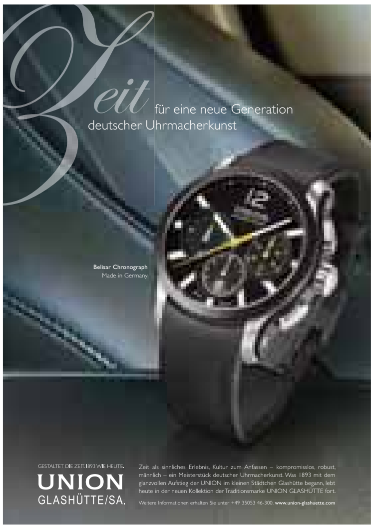
A network of creativity Partner of the Zona Tortona of the Salone del Mobile 2009 in Milan, Rado launched at this event an exciting initiative, absolutely new for the watchmaking industry, that took the form of a dedicated digital platform. Conceived by young designers, with content relating to art and design, the site radostar.com aims to be a place of inspiration, attracting members of the creative community to whom it offers the possibility to share and exhibit their work on-line.

Mad about design Through the presentation of its collection r5.5, Rado once again made its mark at the Vienna Design Week with a special installation in its Vienna boutique by the well-known design group Numen/For Use. The brand also promoted radostar.com by supporting the first Vienna Design Week Laboratory Project, a way of making the creative process visible and encouraging the sharing of information on the subject.

Promoting the next era of design In 2009 Rado renewed its support of the talents of tomorrow at the Dutch Design Awards in Eindhoven. The brand also partnered for the first time with the British Design Awards, as well as associating itself with the Designed in China competition, which inaugurated the 100% Design Shanghai event. The brand was also one of the main partners of the Lodz Design Festival 2009 and the Design Preis Schweiz 2009 in Langenthal. By rewarding young designers for their choice and treatment of materials, Rado clearly defined its positioning at these events in the eyes of both design professionals and its own customers.

UNION
GLASHÜTTE/SA.

AMBASSADOR OF GERMAN WATCHMAKING



TRENDS The first full year after its relaunch proved both eventful and successful for Union Glashütte, with one of the greatest accomplishments being the further development of the production facility, together with the corresponding recruitment of highly skilled watchmakers in Glashütte.

The distribution objective was achieved in the target market of Germany and all trading partners are highly appreciative of the brand's extraordinary price-performance ratio and the innovative and commercial collection. Consumers have confirmed that there is a clear need for mechanical German watches which carry an affordable price tag.

Due to international demand at Baselworld 2009, markets opened up in Switzerland, Russia, South Africa, Malaysia and the Philippines.

CREATION **Mens Belisar Chronograph** With its sporty look, exclusive and original trendsetting design, completely in black, this new chronograph combines the unique qualities of the Belisar collection with an unconditionally sporty appearance. This modern timekeeper offers features perfectly conceived to make a distinctive statement about the wearer.

Noramis Simply time. The new product line Noramis is the first collection from Union Glashütte to encompass both men's and ladies' watches. Consistently simple and classic in design, these watches focus on the essential: displaying the hours and minutes. Perfect understatement expressed by a timeless design and high quality craftsmanship, continued inside the watch.

Ladies Seris watch Feminine and practical, this outstanding Seris model is realized entirely in black. Its design, combined with the inimitable sparkle of diamonds, the cool glow of stainless steel and the elaborate refinement of the mechanical movement, gives the watch a precious and mysterious aura.

PRESENCE **Malaysia: Launch event in Kuala Lumpur** To mark the first delivery of watches to Malaysia in mid-August, Union Glashütte hosted a customer and press event at "After Hours", one of the stores in Kuala Lumpur. The event offered an ideal opportunity to showcase the watches "live", whilst revealing the new bespoke decoration. The direct sales made during the course of this evening confirmed that the fine art of German watchmaking has been well received in Malaysia.

Germany: Press dinner Almost two years after the relaunch of Union Glashütte, a press dinner in Munich presented an opportunity for the specialist and lifestyle journalists who attended, to learn about the development of the brand, the new products and the ongoing strategy.

Local customer events around the world In order to showcase Union Glashütte's new products for the benefit of as many consumers as possible, customer events were held in all markets, directly at the point of sale. A substantial level of interest was generated as a result. These events were highly appreciated by both retail partners and end consumers.

TISSOT
SWISS WATCHES SINCE 1853

IN TOUCH WITH YOUR TIME

TRENDS Tissot achieved substantial growth in 2009, despite an extremely challenging global economy. The world number one in the traditional Swiss watch segment in terms of volume continued its tradition of innovation, bringing new products, technologies and marketing initiatives to customers all over the world. The brand again proved its unique multi-specialist identity with a product range appealing to both sexes and satisfying a multitude of tastes and functionality requirements.

2009 saw extensive celebrations for the tenth anniversary of Touch technology, the major breakthrough in tactile timekeeping pioneered by Tissot. All of the watches in the Tissot Touch Collection integrate a unique tactile crystal that gives access to a diverse spectrum of dynamic functions, ranging from a barometer to an altimeter. In 1999 tactile interfaces were not part of everyday life as they are today so Tissot here again proved and confirmed its position at the forefront of innovation and its commitment to making advanced technology accessible. The tenth anniversary celebrations exerted a powerful influence on sales and marketing activities during the year. The theme of cutting-edge innovation characterized all marketing tools initialized during the year, including a cyber-boutique on watch avenue, a virtual street entirely dedicated to the world of watches, as well as a lively presence on the number one social networking platform, Facebook.

Throughout the year, Tissot strengthened its retail presence across the world in prime locations. There are now 50 monobrand stores and boutiques with recent openings in Hong Kong, Mumbai, New Delhi and Singapore. Ambassador Deepika Padukone was guest of honor at the official opening ceremony in Mumbai, proud to represent Tissot on her home territory. Distinctive Tissot shop-in-shops in leading department stores combined with a large network of official retailers bring the total number of points of sale to 16000 in the world.

CREATION The Tissot dedication to innovation represents the signature of all its new products, repeatedly proving that substantial investment in new designs, materials and technologies is a vital key to sustainable business success, in all phases of the economic cycle.

Tissot Couturier – C01.211 mechanical chronograph movement For over three decades, Tissot watchmakers had been working on the huge technical challenge of simplifying the beauty and precision of a Swiss automatic chronograph movement to make it widely available thanks to highly competitive production and assembly costs. 2009 saw the introduction of the C01.211 mechanical chronograph movement, which made watchmaking history in its own right. The first watch to benefit from this breakthrough was the Tissot Couturier, with its name rooted in the demanding world of fine tailoring, its accuracy ensured through the highly innovative movement rather than through sharpened scissors.

Tissot Sea-Touch The product highlight of the year from a Touch technology point of view came in the form of the Tissot Sea-Touch. Patented technology in this watch for divers gives the rubber-protected pushers double protection, maintaining its high performance levels in water up to a pressure of 20 bars (200m/660 feet). The Tissot Sea-Touch fulfils all of the European Norm EN13319 criteria stipulated for divers' accessories – luminosity, shock resistance, antimagnetism, band solidity and the integration of a time-control device. Wearers have access to the time in two time zones, as well as to the depth of the current dive, at their fingertips. Further touch-operated functions include a digital chronograph, thermometer, alarm, perpetual calendar, date, compass and divers' logbook. Highly luminescent material and an effective backlight provide excellent visibility while high-tech materials and design detail ensure its distinctive appearance.

Tissot Glam Sport Festive Special In good time for the festive season, Tissot introduced a special model to the Tissot Glam Sport family. The Tissot Glam Sport Festive Special, the perfect gift for sophisticated ladies everywhere, boasts a case enhanced by 48 Top Wesselton stones which complement a glistening mother-of-pearl dial, reminiscent of a magical fairytale winter landscape.

PRESENCE **Sports partner of over 500 events**

The deep-rooted Tissot passion for sport went from strength to strength in 2009, affording the brand a powerful global presence in the high-profile, international sports world. Tissot expertly demonstrated its technical expertise at more than 500 events all over the world during the year in the role of Official Timekeeper and partner of NASCAR, the Australian Football League (AFL), the Chinese Basketball Association (CBA), MotoGP and the World Championships of cycling, fencing and ice hockey. Hundreds of thousands of spectators and millions of television viewers were able to gain an insight into the expertise required for timekeeping and data-handling, witnessing Tissot in action. In May, Tissot was proud to become the Official Timekeeper and Global Partner of the International Basketball Federation (FIBA), signing a four-year agreement. At the official ceremony in front of the Cité du Temps in Geneva, internationally renowned basketball star Zoran Savic used a variety of tactics to try to retrieve the ball from the safety of Nick Hayek's hands. A few months later, Tissot carried out the timekeeping and data handling of the prestigious EuroBasket 2009 tournament.

New additions to the family of Tissot Ambassadors At EuroBasket 2009 Tissot welcomed Marcin Gortat, the "Polish Hammer" to join its team of international ambassadors. He is Poland's number one basketball player and the only Pole currently playing in the NBA (National Basketball Association). Measuring an impressive 2.13 meters, he promises to take the prestigious group of brand ambassadors to even greater heights.

Margherita Granbassi, winner of the 2006 World Fencing Championship, joined the ambassador team as its first Italian member. This cooperation gained additional significance in this 10th anniversary year of the Tissot Touch technology since each touch in fencing in a permitted location scores a point. Already at the 2009 World Fencing Championships in Turkey in October, Tissot and Margherita had reason to celebrate together as the new ambassador took to the podium with the Italian foil team to collect the gold medal.

Two new faces from China also joined the team in the form of Zhong Man and Huang Xiaoming. Zhong Man became the first men's fencing gold medallist in China's Olympic history after a remarkable performance in Beijing in 2008. His incredible speed is feared by opponents and often proves itself as a winning advantage. Huang Xiaoming is one of China's most popular young TV drama actors who dedicates a lot of time to charity projects.

Baselworld – a celebration of Touch Technology An impressive interactive table formed the centerpiece of the stunning new three-storey Tissot stand, premiered at Baselworld 2009. Visitors marveled at the shining black monolith as they embarked on a voyage of discovery guided by luminous white floor tiles. The new Tissot website also on display took inspiration from Touch technology. At the touch of the mouse, visitors can spin the Tissot world, represented by a Tissot Touch watchcase. This then lights up, allowing visitors to enter their selected content destination. They can jump from one experience to the next with total ease. One minute they may be watching a nail-biting MotoGP race, the next they could find themselves gazing into the eyes of brand ambassador Danica Patrick.

THE ESSENCE OF SENSUALITY

TRENDS The brand born from the association of the emblematic creator of a minimalist fashion house and the most important watch group in the world maintained its level of activity in 2009 despite the difficult worldwide economic climate. Although sales in European markets remained stable, they grew in the Middle East and Asia, where they steadily progressed. With results a little below the record year of 2008, but well above that of 2007, overall 2009 was therefore an excellent year for the brand.

Half a decade after its noticeable launch in 2004, the jewelry signed “ck calvin klein” continued to develop with positive results in all markets. Available as rings, necklaces, bracelets and earrings, the jewelry products represent a growing part of the brand’s activity and reinforce the undeniable synergy between watchmaking and jewelry, both incarnating the role of accessories charged with emotion.

Watches and jewelry are born from the frenetic rhythm which sets the pace for the world of fashion and the launch of around one novelty per month constitutes a creative, commercial and logistic challenge, taken up with success by the brand again in 2009. Besides its product style recognizable by the purity of its lines, a price strategy based on affordability and a high performance distribution network constitute the main factors that explain the continued success of the brand which has only been slightly affected by the ambient crisis. In this context, ck watch & jewelry retained its position in 2009 as market leader of Swiss Made fashion watches, heading the race in a highly competitive and densely populated product sector.

CREATION ck watch & jewelry, present in over 80 markets, pursued its development in 2009 in the style and stamp of Calvin Klein. Constantly renewing the spirit of the watch and jewelry piece as an emotional accessory, the brand adopts a creative stance based on purity of line and sensuality. Modern art, architecture and design are the favored sources of inspiration for these products that work admirably hand in hand with classical watchmaking elements.

The brand's portfolio of products was joined in 2009 by five new watch lines and three jewelry lines, particularly brought to the fore, especially at Baselworld. Named ck conversion, ck fly, ck gloss, ck gravitation and ck mound, the 2009 watch collections translate the brand's evolution towards a less graphic design. The more supple and organic lines reflect the transformation and movement of forms and an openness and fluidity of the curves.

Three of the collections – ck fly, ck mound and ck gloss – also gave rise to jewelry pieces. These pieces offer a delicacy of line representing urban femininity and the refinement of detail which renders them distinctive. Made of delicately finished sterling silver, the models of the collection ck skill stand out through their simplicity and satined appearance.

PRESENCE A sober and luminous stand incarnated the presence of the brand at Baselworld. A true "must" for visitors, the ck party, which this year took place within a poetic decor for the launch of the ck fly collection, again showed itself to be a privileged moment of the tradeshow.

As a prelude to the Basel event, the press meetings between ck watch & jewelry and the highly demanding fashion press of Europe and Asia are real red letter days that stay engraved on their memories. In 2009 these took place in Lisbon and Tokyo. In March, the Japanese capital welcomed the most noted journalists in Asia, whereas the banks of the Tage offered an exceptional location for around a hundred European press representatives.

ck watch & jewelry's two 2009 advertising campaigns – spring-summer and autumn-winter – enabled Fabien Baron, already the creator of the 2008 campaign, to photograph Anna Maria Jagodzinska and Devin Childers, as well as the rising stars of the international modeling scene, Sigrid Agren and William Eustace. With the eye of the camera trained on them by the famous *Vogue* artistic director, their sensual magnetism underlined the intrinsic qualities of the product. These photo shooting sessions which took place in New York, constituted one of the milestones of the collaboration between ck watch & jewelry and Calvin Klein Inc.

After the opening in 2008 of two points of sale for ck watch & jewelry in London and Hong Kong, a third boutique opened in Taipei. Inaugurated in November, it welcomes visitors from Taiwan and abroad in the commercial shopping centre 101 Mall, an architectural symbol of the city and the second highest building in the world. Reflecting the minimalist contemporary universe of Calvin Klein, between luxury and casualness, this new boutique reinforces the international development of the brand.

BALMAIN
swiss watches

CREATOR OF ELEGANCE

TRENDS Balmain sales in 2009 remained stable, despite the uncertain economic climate, with strong promotional initiatives in the key markets, leading to gain of market share.
Belgium, Russia and Switzerland continue to be leading markets in Europe for Balmain and 2009 saw an increase in the number of retail customers in these countries.
Balmain also pursued its expansion strategy in the Middle East and Asia, in particular in Iran, India and China, where the brand enjoyed a sharp rise in sales.
The brand continues to provide a consistent panoply of watches for men and women, based on high quality and elegance of design. The signature "arabesques" detail remains at the heart of each collection, underlining the refinement and prestigious nature of the brand. A number of automatic timepieces have also been added and were greeted with enthusiasm by a growing number of Balmain customers.

CREATION **Trendy** First launched in 2005, the Balmain Vela collection with its daring watchcase design was completed this year by a new unique double-curve case for a timepiece that stands out from the crowd.
Downtown for Ladies Certain watches instantly captivate the eye and some also arouse the senses, which is the case for the new Madrigal Chrono Lady Oval, whose elliptical shape, domed crystal and fine voluptuous lines are an invitation for the sweetest of caresses. In addition, the Madrigal Chrono Lady collection offers three watches in one through its system of interchangeable leather straps and steel bracelet – a first for the brand from Saint-Imier – making it the perfect elegant companion for any occasion.
Downtown for Men The timeless design of the Balmain Arcade collection has been developed in a number of successful variants over the years. 2009 saw the creation of a new high level chronograph with a retrograde movement, the Arcade Chrono Gent Retrograde. With its powerful masculine lines and strong personality, this new chronograph offers casual elegance and distinguished allure in its every detail.

PRESENCE For the fifth consecutive year, Balmain was designated in September the official watch of Miss Switzerland at the Arena stadium in Geneva. Symbol of elegance and modernity, Linda Fäh became the new face of Balmain, to promote the brand throughout the year in Switzerland and around the world.
To celebrate its first year in China, which was crowned with success, and in answer to the excellent response afforded by its customers and local media, Balmain organized events with Whitney Toyloy, Miss Switzerland 2008, in Shanghai and Hangzhou. The presence of its ambassadress underlined the brand's attachment to its values of Swiss quality, elegance and femininity, which she incarnates.
An enthusiastic welcome also met Balmain in Iran, where its new collections, corporate image and promotional material were presented to customers at a prestigious hotel in Iran's capital, Teheran. This event helped further to reinforce the brand's image in the country and in the Middle East region as a whole.

CERTINA
swiss time maker 1888

A TRADITION OF SPORTY EXCELLENCE

TRENDS Despite the turbulent economic situation, Certina succeeded in gaining increased market share in 2009, due to its strong brand equity, based on its positioning as one of the most long-standing, traditional, reliable and sporty brands in the mid-range price segment, whose quality products and cutting-edge design were largely promoted throughout the year by dynamic marketing activities.
Although Asia continued to be a major area of growth, Certina also gained further ground in Europe in 2009.
The launch of Certina through Swatch Group Russia got off to a very promising start.

CREATION **DS Action – Pure extreme sport** The art of watchmaking and extreme sport have in common that they both embody the pursuit of excellence. The new DS Action collection is the ultimate proof of this, with its chronograph embodying reliability and robustness in an innovative, ambitious design.
DS 1 – Limited Edition: 50th Anniversary of the "DS Concept" The famous letters "DS" have played a key role in establishing Certina's worldwide reputation for excellence, as a true symbol of quality. To mark the 50th anniversary of the Double Security Concept of 1959, Certina unveiled the new DS 1 Automatic, an exclusive watch, limited to 5000 pieces worldwide, combining contemporary design and subtle "retro" inspiration.
DS Podium – Limited Edition – BMW Sauber F1 Team The new DS Podium affirms its character in true sporty classical style, presented in the official colors of the BMW Sauber F1 Team. The watch, with its black leather carbon-fiber-effect strap to give it the perfect racing look, is equipped with the high-quality Valjoux ETA 7750 automatic movement and the rotor, engraved with the inscription "Certina Official Partner of BMW Sauber F1 Team", can be seen through the transparent back. Production of the model is limited to 4000 pieces worldwide, with the words "Limited Edition" printed on the dial.
DS First Lady Ceramic– Sporty chic in ceramic The DS First Lady provides a combination of sporty class and captivating elegance, its innovative use of ceramic for the bezel and cabochon offering both technical advantages and creating a unique appearance.

PRESENCE **China: Robert Kubica in Shanghai** Certina hosted a press event in Shanghai, complete with an autograph session, with the brand's ambassador BMW Sauber F1 Team driver Robert Kubica, to mark the opening of the new Certina boutique in the Joffre 688 shopping center. The event took place in front of the shopping center, one of Shanghai's busiest shopping precincts, with many fans having waited since the early hours of the morning, hoping to catch a glimpse of their racing idol.
Malaysia: DS Concept anniversary celebration Certina commemorated the 50th anniversary of its DS Concept at a press event in Kuala Lumpur, unveiling the celebratory DS 1 50th Anniversary model, which is being produced in a limited edition of 5000 pieces worldwide.
Poland: launch of the new DS Action – Limited Edition – Robert Kubica To launch the new DS Action – Limited Edition – Robert Kubica, Certina hosted a major press and customer event with its brand ambassador Robert Kubica at the old airport in Warsaw, in Poland, Kubica's homeland.

MIDO
SWISS WATCHES SINCE 1918

A MARK OF TRUE DESIGN

TRENDS Mido enjoyed positive double-digit growth in 2009, despite the difficult economic environment in its important market of the Americas. The greatest increase came from Asia, which not only experienced a rise in sales, but also improved distribution and brand awareness.
Sales in Europe and the Middle East remained at their high 2008 level and thus engendered an increase in market share for the brand.
The Multifort and Commander collections celebrated respectively their 75th and 50th anniversaries. Mido is proud to continue to use these names for collections that have kept their positioning over the decades and represent the important heritage of the brand.

CREATION **Commander: 50 years of timeless classicism** In 1959 Mido created what was to become one of its most appreciated classic timepieces: the Commander. Fifty years later, in 2009, this creation is still regarded by experts as a stalwart example of fine Swiss watchmaking. To commemorate this anniversary, and true to its elegant original design, Mido presented a series of limited models in gold and steel at Baselworld.
Multifort: reviving streamline design Mido launched its Multifort collection in 1934 at the height of the age of streamline design. This functional design trend originated in the United States where it was inspired by the aerodynamic style developed in the industrial production of trains and airplanes as well as other everyday steel objects.

To celebrate the 75th anniversary of its collection, Mido created a series of new models whose dials are inspired by the metal plaques of the streamline trains with the indexes in the form of the rivets that attached them, paying homage to a period which turned functionality into an art of life.

All Dial Chronograph: the perfect combination of timeless design and sporting spirit The new automatic chronograph from Mido revisits the original concept of the line, the principle adopted by the Roman architects of the Coliseum. This new model stands out from previous ones by its polished steel case with an increased diameter of 44 mm and a dial enhanced by numerous new details. A certified COSC chronometer, it is the reflection of the highest Swiss precision, capturing time in its exclusive modern design.

Baroncelli GMT Since its creation in 1918, the elegance and classic sobriety of Mido timepieces have, through their technical and aesthetic qualities, attracted customers looking for a watch to last a lifetime. Amongst these timepieces is the Baroncelli collection whose curved design is inspired by the classic arches of violins, enlarged in 2009 by a two time-zone model, the Baroncelli GMT.

For the bicentenary of the Independence of Mexico, a key market for Mido, the brand produced a limited edition, Kukulcan, of 200 timepieces.

PRESENCE Pursuing its successful strategy, Mido continued to concentrate on its existing markets, reinforcing its image through enlarging its distribution and improving its communication at the point of sale.

The highlight of the year, in the form of the 50th anniversary of the Commander and the 75th anniversary of the Multifort, led to exhibitions and events around the world based on these milestones of Mido's watchmaking heritage.

Mido reinforced its image as a traditional Swiss brand, offering an excellent quality/price ratio, with products inspired by symbols that have become universally known as "A mark of true design".

A larger stand at Baselworld with a new architectural design very much in the Mido image offered an enhanced platform to present the brand to its clients from around the world.

HAMILTON
THE AMERICAN BRAND SINCE 1892

THE AMERICAN BRAND SINCE 1892

TRENDS Hamilton consolidated its market position in 2009 as leader for automatic watches in the middle price segment.
The brand continued to mark its presence throughout the world with its striking, distinctive timepieces, representing extremely good value for money and strategically supported by high-profile events that proudly feature the product as the "hero".
Hamilton also led the field in the trend for striking color and material combinations such as rose gold PVD and black rubber, stainless steel cases coated in black or brown with matching dials, as well as bold dashes of bright colors on sportier models.
The long-standing love affair between Hamilton and Hollywood appeared to have turned full circle in 2009 as the American brand paid tribute to Elvis Presley with the Ventura Elvis Anniversary Collection. The original Hamilton Ventura appeared on Elvis' wrist in *Blue Hawaii* in 1961, marking the beginning of intensive involvement in the movie-making world with Hamilton remaining a constant favorite among stylists.

CREATION **Ventura Elvis Anniversary Collection** The two special Hamilton Ventura models created to kick-off celebrations of the 75th anniversary of Elvis Presley's birth literally stole the show across the world. The eye-catching, shield-shaped watch came in two versions – the Ventura Elvis Anniversary Collection and the Ventura Elvis XXL Anniversary Collection. The quartz model comes with either a silver-colored stainless steel or a yellow gold PVD finish and is a faithful tribute to the original 1957 model, which made watchmaking history as the world's first electrical, battery powered watch. The Ventura XXL builds a bridge to the future with its smooth gunmetal-colored case and XXL dimensions. Production of this piece will only run until the end of 2010.
Aviation Heritage Hamilton took its established portfolio of pilots' watches to new heights with the launch of the Hamilton Khaki X-Mach. This timepiece integrates the facility to measure an aircraft's speed relative to that of sound. Combining style with mechanical fascination, this chronograph captured the hearts and minds of aviation enthusiasts everywhere.

PRESENCE **Elvis Presley commemorations** The Elvis anniversary made its mark on the Hamilton international event schedule throughout 2009. A special exhibition in New York showcased the original Elvis watch and was enthusiastically attended by members of the Elvis Fan Club. There was a themed launch event for retailers and media in Tokyo, Hong Kong, Taiwan and Shanghai and the new Ventura went on tour through the shopping malls of Singapore. Hamilton also hosted a special behind-the-scenes preview presentation for journalists of the Elvis show by the Cirque du Soleil in Las Vegas.

Hamilton Behind the Camera Awards The annual Hamilton Behind the Camera Awards took place in Hollywood in November to celebrate the achievement of filmmakers. Organized in collaboration with movieline.com, the event united the most outstanding talents in the industry this year across ten specific categories. Winners included Kathryn Bigelow, director of *The Hurt Locker;* Lawrence Bender, producer of *Inglorious Basterds;* Christian Berger for his cinematography on *The White Ribbon;* and stunt choreographer Garrett Warren for *Avatar* and *A Christmas Carol.* Leading actors, actresses and other movie professionals presented the awards to their favorite filmmakers. Chistoph Walz presented a Lifetime Achievement Award to film editor, Sally Menke, with a special taped message from Quentin Tarantino. Other presenters included Diane Kruger, Bill Paxton, Anna Kendrick, Zooey Deschanel and Jason Bateman.

Air shows Hamilton was Official Timekeeper of the 2009 AirVenture Oshkosh in the United States. This ranks as the world's greatest aviation celebration and featured 2500 aircraft, ranging from antique models to an electric-powered plane. Hamilton also exhibited at Tannkosh 2009 in Germany, Europe's biggest fly-in. Moreover, for retailers and journalists wishing to make the leap from spectator to participant, Hamilton ambassador, the aerobatic pilot Nicolas Ivanoff offered unforgettable flights on board his new two-seat Extra 200.

A PASSION FOR THE WORLD OF CHILDREN… SINCE 1987

TRENDS In 2009, Flik Flak continued its growth worldwide, reconfirming its position as leader in the children's segment thanks to its high quality standards and its unique concept of teaching the time.
2009 was a year of development and new experiences for the brand with the successful implementation of a selective distribution strategy, the launch of new design styles, new bracelet materials and fresh licensing partnerships, all leading to increased sales performance.
Always in tune with the latest trends, Flik Flak products remain true to their intrinsic quality offering, inspired by fashion and, most of all, by children's tastes.
Through its marketing operations, Flik Flak underlined its strategy to be a unique brand remaining constantly stimulated to stay a step ahead in order to meet the expectations of parents and, of course, children.

CREATION **Hello Kitty** A new cooperation with Sanrio Co. Ltd was announced, giving rise to a very promising start to the second part of 2009, as young and old around the world were attracted and fascinated by the strong licensing character of Hello Kitty.
Warner Bros The long and successful cooperation with Warner Bros continued with illustrious characters like Tweety and Batman. Notably the reference "Batman & Money Box", a treasure product shaped as the famous "Batmobile", enjoyed immediate success.
Flik Flak Full-Size Focused to target the evolution of the "big" young customers, the Flik Flak Full-Size offered new collections with glimmering crystals and new materials such as silicon and synthetic leather giving a distinctive look to the new collections.

PRESENCE **Hello Kitty Launch** The main event during 2009 was the launch of the Flik Flak Hello Kitty collection. For the first time, Hello Kitty fans all over the world can now keep track of time with Swiss precision.
Different activities were organized to celebrate this very special launch. In Switzerland, a road show with Flik Flak and Hello Kitty costumes took place in three major cities. In Germany, Italy, France and Austria, emotional public relations events also met with great success.

endura

BESPOKE CREATOR FOR FASHION/LIFESTYLE BRANDS

TRENDS In 2009, Endura created a number of new products for the fashion/lifestyle segment and in support of its global licensing agreements with Timberland and Mango, established in 2005.

CREATION **Timberland** Adhering to Timberland's "one focus" strategy across all product categories, Endura introduced a special edition, Ocean Adventure, supporting the brand's summer outdoor campaign. Globally uniform visuals, in conjunction with effective point of sale displays, ensured its success. Further enhancements to product families, namely Steprock and Kingsbridge, also secured Timberland's status as a market leader in its product positioning.

Mango With Mango, Endura continued its introduction of products synonymous with the latest overall fashion colors and designs. This synergy, coupled with an increased focus on strengthening its existing distribution base, assured Mango its position in the competitive fashion watch segment.

www.endura.ch

TOURBILLON

THE CHOICE OF LUXURY AND THE LUXURY OF CHOICE, ALL UNDER THE SAME ROOF

Pushing open the door of a Tourbillon boutique signifies, not only gaining access to the whole universe of the different Swatch Group prestige brands at the same time, but also benefiting from the most professional customer advice, the most direct after-sales service and the highest product guarantee. A Tourbillon store thus represents the only authentic luxury multibrand boutique in the world. This characteristic continued to inspire all the commercial and marketing activities that took place throughout 2009.

In the present international economic turmoil, Tourbillon realized a significant year, pursuing its strategy of development and increasing customer loyalty whilst reinforcing the notoriety of its boutiques and the brands represented in them.

For the fourth consecutive year, and despite the closure of one boutique, the Tourbillon network grew in 2009. With the addition of two points of sale in America, the network is now made up of eighteen luxury points of sale across the world, strategically placed in the most prestigious locations. The two new boutiques were inaugurated first of all in April 2009 in the legendary cosmopolitan Wall Street district of New York and secondly in December 2009, in one of the most luxurious shopping malls in the US, Crystals in Las Vegas.

2009 was also marked for Tourbillon by the presence of a new brand, since Tiffany & Co. entered the boutique network. The products born out of the recent alliance between the biggest watchmaking group in the world and the celebrated American jeweler joined the timepieces of Breguet, Blancpain, Glashütte Original, Jaquet Droz, Omega and Léon Hatot, as well as the Vendôme and Spiga collections from Swatch.

Working always in close collaboration with the brands concerned, Tourbillon had the privilege to present to its demanding customers on several occasions some of the world's most extraordinary watches and jewelry pieces. The boutiques in Lausanne and Lugano, for example, regaled their visitors by unveiling, in October 2009, one of the very rare limited edition Breguet timepieces equipped with a double Tourbillon. The launch of the new Omega Constellation campaign, the presentation of the Glashütte Original Senator Chronometer and the 40th anniversary commemoration of man's first steps on the moon and of the Omega Moonwatch all constituted occasions with which to enliven the Tourbillon points of sale with high level well-attended events. Guests at the Amsterdam and Los Angeles boutiques will for a long time remember their visit to the Tourbillon stores, having had the opportunity to meet Major Thomas Stafford of the Apollo 10 program, the sixth person to walk on the moon, and Lieutenant Scott Carpenter of the Mercury program.

Finally, 2009 also saw the development of new communication tools, destined to favor a better identification of the network of boutiques, which will be rolled-out in 2010.

HOUR PASSION

TECH-AIRPORT

THE YEAR OF CHALLENGES

Thanks to the mounting success of its concept and its 27 points of sale, Swatch Group's airport retail company became the European leader in its sector in 2009. Despite a steep fall in the number of people frequenting airports, Tech-Airport managed to increase its turnover and reinforce its national positioning in the Paris airports of Roissy Charles-de-Gaulle and Orly, as well as those of Nantes and Nice. The company's expertise was acknowledged by Nice airport, who renewed their contract for the next five years, as well as by Geneva airport who chose the company in 2009 to be its partner for its three points of sale. A pertinent product offering, a choice of brands adapted to each type of customer base, privileged relationships with suppliers, a fruitful collaboration with Swatch Group brands, luxury boutiques and a reinforced and optimized professional structure were the keys to the development of Tech-Airport in 2009.

The birth of a new Swatch Group commercial identity So as to reinforce its European leadership position as well as its brand awareness, Tech-Airport created its own commercial identity under the name of "Hour Passion", in homage to its original roots. Taking the form of a logo, shop sign and soon an Internet site, this allows the company to capitalize upon a recognizable brand.

Daring and original communication tools The strength of Tech-Airport also lies in its dynamic and innovative marketing, particularly in the form of point of sale animations. Hour Passion has thus become a location where all Swatch Group brands can express themselves, enabling them to communicate on their latest activities and to increase their brand awareness. Examples of this are Longines with the international tennis championship of Roland-Garros, Omega with James Bond or Certina, who set up a Formula 1 car at Nice airport for a month.

A first step towards international expansion 2009 marked a decisive turning point for Tech-Airport with the opening of its first points of sale at an international level. After having won the offer to tender made by Geneva International Airport, three points of sale were opened: an "accessible luxury" store, one very high level store and the company's first Omega boutique. Thanks to this last installation, Tech-Airport revealed a new dimension to its know-how with monobrand stores of differing market positioning.

These Geneva stores reflect Hour Passion's capacity to adapt to a specific customer base in different segments and are the starting point for a strategy of world growth for 2010. At the Tax Free World Association (TFWA) trade show in Cannes, Tech-Airport again experienced great success, with visits from the principal airports worldwide. This achievement will enable Swatch Group brands to reinforce their airport presence in specific geographic target areas.

CITÉ DU TEMPS
Genève

CELEBRATING MEMORABLE MOMENTS IN TIME

The Cité du Temps in Geneva is now well established as the 'in-place' to learn about, contemplate and enjoy time. Throughout 2009 it continued to host intriguing exhibitions, inspiring workshops and memorable events.

Watchmaking milestones A number of Swatch Group brands chose to celebrate their historical milestones this year at the Cité du Temps. Breguet paid tribute to one of its most famous patrons in a special exhibition featuring a faithful recreation of the pocket watch originally created for Queen Marie-Antoinette.

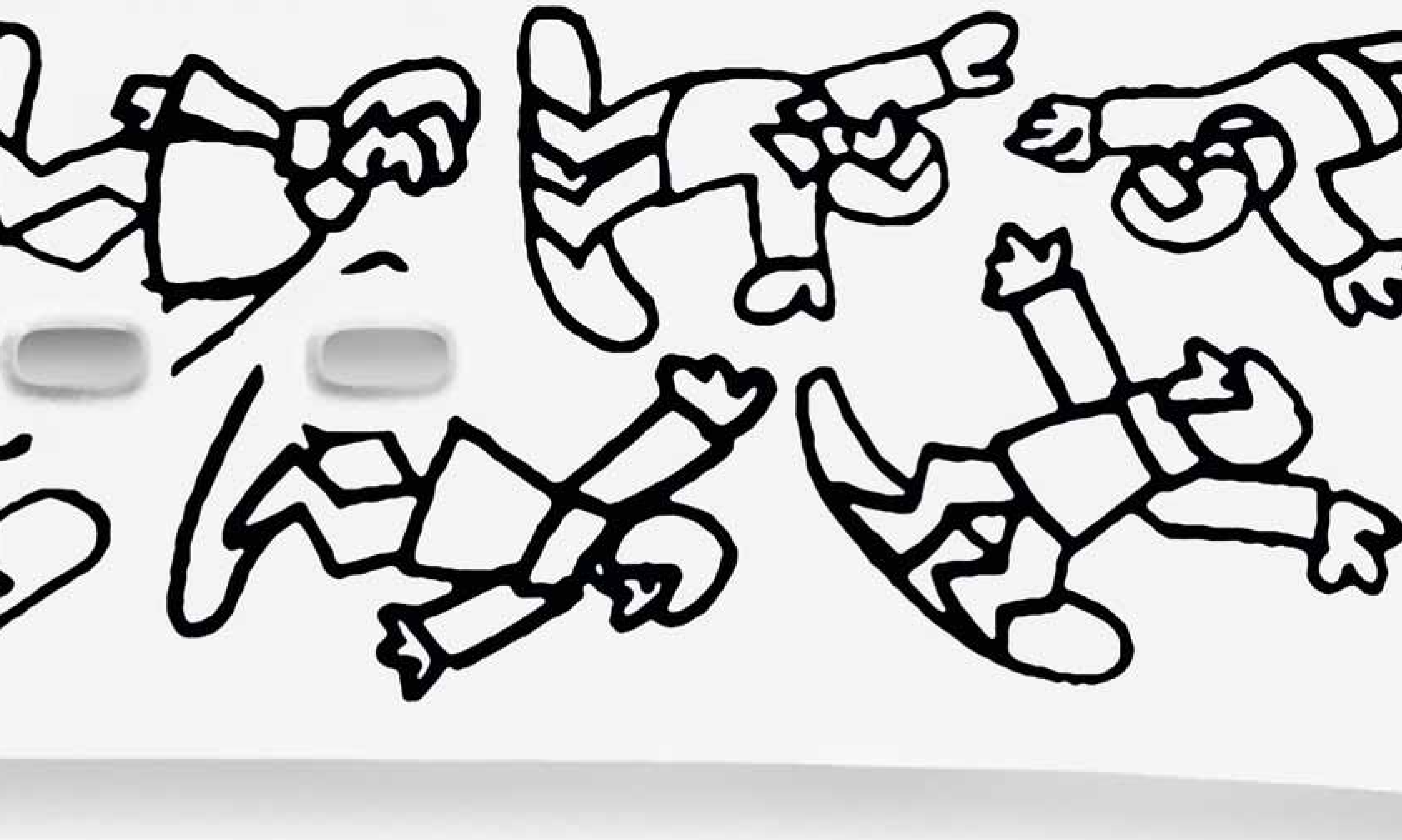
Blancpain selected the location in the middle of the River Rhone for its exhibition on the iconic Fifty Fathoms, the first modern diver's watch (1953), introducing a limited edition of its legendary watch and displaying the underwater photos from its *Fifty Fathoms Edition* book, as well as welcoming free-diving champion Gianluca Genoni as a special guest.

Omega defined the Cité du Temps as its planet earth venue to mark the 40th anniversary of the moon landing – and the giant leap made by the Speedmaster on the famous Apollo 11 mission. The commemorative exhibition doubled as a mysterious voyage to discover how Omega watches went into orbit as the result of anonymous and extremely tough testing by NASA experts.

Longines hosted an exhibition to commemorate the 120th anniversary of the registration of its winged hourglass logo – the oldest trademark still valid in its original form in the international registers kept by the World Intellectual Property Organization (WIPO).

Tissot proudly kicked off celebrations for the tenth anniversary of its unique touch technology with the "Touch your Time" exhibition. A series of dynamic exhibits demonstrated the brand's commitment to being ahead of its time ever since the late nineteenth century, when the founder's son, Charles-Emile Tissot, bravely ventured to Russia to sell pocket watches.

Time is a gift The Cité du Temps was honored to welcome artist and TV personality, Ted Scapa, to launch his new book *Temps • Zeit • Time*. In the preface to this work, the universality and complexity of Time are evoked by Marianne Hayek, wife of Nicolas G. Hayek, in a very personal and poetic tribute to Ted Scapa. Through an art exhibition and creative workshops, this long-standing, inspirational friend of Swatch Group shared humorous and poignant reflections on the passage of time, convincing all generations present at the Cité du Temps that "Time is a gift for giving".



PRODUCTION JEWELRY, WATCHES

DRESS YOUR BODY (DYB)

2009 was marked by the reinforcement of the area of activities and synergies between the different departments of the company, in particular through the transfer of competencies in highly complicated jewelry from DYB's Geneva branch to the main site in Cormondrèche (Neuchâtel). The extension of know-how and the development of new products also took place during the financial year, consolidating DYB's position as a manufacturer of jewelry, high jewelry and artistic craftwork for Swatch Group.

DYB Bijoux Made up of specialists in product development, design and model creation, the DYB Bijoux entity brings its know-how to the creation and production of the jewelry collections of all Swatch Group brands desirous to invest in this segment of the market. Constantly on the look-out for innovative techniques to be used by their creative teams, in 2009, DYB Bijoux created new cutting-edge design collections for ck watch & jewelry and for Swatch as well as jewelry and high jewelry lines for Omega and Breguet.

DYB Sertissage The development in 2009 of new production resources will enable DYB Sertissage from now on to offer a full service to its customers, from 3D development to the delivery of finished gem-set components – bracelets, cases, dials and jewelry pieces – from milling-turning in bar fed machining centers, including preparation for gem-setting and gem-setting, to polishing and final assembly.

Despite the difficult economic climate, the realization of the new Constellation Jewelry line for Omega and the richness of the creation of Swatch Group brands allowed DYB Sertissage to maintain a satisfactory level of production and to retain its full working capacity. The fall in activity in certain workshops was put to best effect by training personnel and perfecting their technical skills.

The year also saw a number of developments realized by the CAD/CAM construction team and the reinforcement of expertise of DYB Sertissage in the domain of jewelry component machining both for jewelry pieces and watches. Investments were also made in new polishing and gem-cutting equipment, enabling a reduction in delivery times, as well as in software development aimed at optimizing the management of the flow of precious metals.

DYB Gems As the competence center for the purchase of diamonds and gems for the Swatch Group brands and as guarantor of the quality of the gems used, DYB Gems is composed both of specialists in gemology as well as in the purchase and cutting of stones. Integrated into the process of new product development for clients from the start, this entity lends its support for the selection and purchase of the appropriate gems, then supplying them according to their needs in packaged calibrated stones.

The diamond sector was marked in 2009 by important upheavals, generating some uncertainty in the supply chain. The perfect knowledge of the gem market and the intense price negotiations by DYB Gems enabled its clients not to suffer from this contretemps. Playing on the synergies between the often complementary purchases of the different Swatch Group brands, DYB Gems thus enabled them to make considerable price gains, whilst maintaining irreproachable quality standards.

A reorganization in answer to the fall in orders, taking advantage of the versatile nature of its workforce, and the creation of an introductory course in gemology in watchmaking based on Swatch Group know-how in this matter, enabled DYB Gems to reinforce its team and expand its service offering. Finally, an exclusive innovative process, combining several technologies and put into service for the first time in 2009 by DYB Gems, enabled the engraving of a diamond with a branding in a high definition legibility never previously obtained.

DYB Manufacture & Casting Composed of jewelers, master jewelers, polishers and specialists in casting by lost wax, the manufacturing entity DYB Manufacture & Casting pursued in 2009 its activity of offering Swatch Group brands the technical expertise, quality and good workmanship characteristic of the jewelry and high jewelry that leaves its workshops. So as to reach the objectives of tighter price control, a particular focus was placed in 2009 on automated manufacturing of certain lines of jewelry.

ETA SA
MANUFACTURE HORLOGÈRE SUISSE
DEPUIS 1793

FRANÇOIS GOLAY SA
Fabrication de pièces d'horlogerie
Depuis 1855

ETA MANUFACTURE HORLOGÈRE SUISSE www.eta.ch

Throughout the 2009 financial year a number of investments enabled ETA to reinforce the development, industrialization and manufacture of its products. Major efforts were also made for the optimization of its production processes and the development of the flexibility and expertise of its personnel.

Means of production and industrialization Despite turbulent market conditions and a drop in orders from customers outside Swatch Group, ETA production capacities were maintained thanks to the high demand in manufactured and special movements. This evolution again necessitated putting in place important financial and human resources, notably in the sector of decoration and finishing of mechanical movements. The strong increase in specific decoration and designs for the whole Swatch collection led to a reinforcing of activities in the area of new technologies such as digital printing. This procedure of digital printing, for which Swatch Group is the leader in its application to watchmaking, opens up new horizons both on the aesthetic and industrial level.

The launch of the automatic chronograph C01 for Swatch and Tissot took place without compromise and within the desired time delays. In itself this new Swiss Made movement alone incarnates ETA's industrial foundations since it is based on a Nouvelle Lemania movement produced on a large scale and at a very competitive price. Resulting from the capitalization of an expertise reinforced by numerous synergies within Swatch Group, the new column-wheel chronograph A08.231 was realized in response to a demand by Longines in particular. This movement was materialized within record time, thanks to ETA's proven wide range of industrial competencies and complete mastery of processes. These investments in production contribute directly to an increase in the industrial and human competencies, as well as to the quality of all the Swiss Made movements produced by ETA.

Human Resources In response to a desire to retain workplaces, to optimize processes and to lower costs, the company proceeded with the reintegration of a certain number of activities previously outsourced. This decision also enabled ETA further to increase its internal competencies. Despite the turbulent market conditions, the situation was well negotiated as all qualified personnel were retained and manpower maintained without any important reduction in numbers.

In a move to simplify and verticalize the processes, the company also reorganized the sectors of cutting, plastic injection and automation and regrouped the parallel sectors such as the ébauches. It put in place a logistic strategy with a global vision and reinforced its management board. All these changes were backed up by an important training program and a control of the competencies of the top managers based on their leadership qualities.

Production Surfaces Started in 2008, the modernization of a number of production surfaces, including the recently acquired Graitery site in Moutier, continued in 2009. In addition, ETA continued to transform a certain number of surfaces to ensure the production transition from ébauches to movements.

Quality The reinforcement of the homologation processes for movements and watches in the quality test laboratory enabled a reduction in the time spent on this process. The Quality Assurance Manual was also optimized in a move to simplify the processes.

In the chemical sector, the investments made enabled the modernization of certain installations for pumping, detoxification and distribution of pure water for different production sites. The ISO 9001 certification of 2008 was also successfully retained for the company as a whole. These actions and investments contributed to improving the quality of all the components and movements produced by ETA as well as its reactivity towards its customers.

FRANÇOIS GOLAY www.francoisgolay.ch

In 2009 the company François Golay, based in Le Brassus in the Vallée de Joux and specializing in the production of watch wheels and profile-turning of complicated pieces, placed its main focus on developing its human resources. This led to the creation of departments for logistics, purchasing and safety as well as a reinforcement of the finance, human resources, sales and IT services. This development was also materialized through a vast training program defined and put in place to prepare the company's managers for their new functions. Training was also carried out for all employees as part of the development of their competencies. Specific departments were also reorganized, as in the case of the profile-turning department, which in 2009 welcomed new personnel specialized in the profile-turning of high-end pieces. Created in 2008 to offer an agreeable working environment to the employees participating in the development of the new structure, the premises were fitted out still further as were new surfaces so as to respond to future needs. Once completed, this transition phase will enable François Golay, which entered Swatch Group in 2008, to optimize all its know-how in its specific segment and to satisfy the quality criteria of an increasingly demanding customer base.

FRÉDÉRIC PIGUET www.fredericpiguet.ch

Frédéric Piguet did not escape the economic slowdown in 2009 which affected the whole watchmaking sector. The production of movements therefore diminished to reach the level of 2005, considered at the time as a very good year. The maintaining of sufficient activity however enabled the company to retain all its employees with open-ended contracts, ensuring for the producer of prestige movements the conservation of its entire personnel. The immediately mobilizable key competencies thus preserved constitute factors whose importance will become apparent with the next economic revival.

Frédéric Piguet started the second quarter of 2009 with a new management board. 2009 also saw the continuation of renovation work at the company's production site in Le Sentier in the Vallée de Joux. Except for certain sectors, which will be renovated during 2010, Frédéric Piguet today has at its disposal a high performance top quality working set-up. It also enjoys excellent visibility in the Vallée de Joux, reinforced by investments made in the realm of signage.

Development and production of components and movements Frédéric Piguet pursued its strategy of industrial verticalization in 2009, in the form of the acquisition of new means of production and by production in-house of previously subcontracted watch components. This search for an increased industrial autonomy was accompanied by further development of synergies with other Swatch Group companies.

This close collaboration with other Swatch Group companies also concerns the Research and Development department of Frédéric Piguet, which participates actively in different work groups in this domain. These exchanges enable the acquisition of new competencies relating to new procedures or materials likely to be integrated into the products manufactured by the company. This sharing of know-how as well as the reinforcement in 2009 of the Research and Development teams notably enabled Frédéric Piguet to continue to improve the reliability of its products and increase its reactivity in response to the demands of its customers.

New products The development activity of Frédéric Piguet in 2009 gave rise to a large range of new products, of which the major ones were: FP 13R5, automatic movement, 8-day power reserve; FP 5025, automatic movement, tourbillon, two time-zones, 8-day power reserve; FP 5215, automatic movement, GMT function, 5-day power reserve; FP 66R9, mechanic hand-winding movement, full calendar with moonphase, 8-day power reserve; FP 6886, and automatic chronograph fly-back.

VALDAR www.valdar.ch

Valdar, the specialist of micro-mechanical products, based in L'Orient in the Vallée de Joux, suffered in 2009 from a reduction in sales from customers outside Swatch Group. This fall in sales was nevertheless alleviated by an increase in market share. This development resulted from a decision by some of the company's customers to subcontract a more substantial part of their requirements so as to benefit from the constant high level of service for which Valdar has been noted for a number of years. Shift work in the tooling sector, therefore, was able to continue until the end of summer 2009. The commitment of the experienced workforce and the deployment of new equipment also enabled the company to perform in-house a growing number of the few operations still outsourced in the area of surface treatments, particularly mechanical chemical polishing and galvanization. In 2009 Valdar thus consolidated its specialist position as a multi-service supplier of high value-added watch components.

NIVAROX-FAR www.nivarox.com

A door open to the future Despite the difficult world economic context, 2009 saw Nivarox-FAR pursue its efforts aimed at the constant progress of the chronometric precision of the mechanical watch. To achieve its goal the company, the leading producer of regulators and escapements, invested heavily in the industrialization of new products and the optimization of its components. The opening of a new site for Nivarox in August 2009 in Fontaines also contributed to the development of its technologies articulated around six principal axes:

Casting The traditional technologies for the production of the balance-spring have progressed, notably thanks to improvement in casting of a new Elinvar ferronickel-based material called Elinchron. Several hundred thousand balance-springs based on this alloy will thus be produced in 2010.

Co-Axial The chronometric precision of the Co-Axial escapement was perfected by modifying its construction, thanks to the addition of a three-level escapement wheel realized on the basis of a process of superposition and assembly of the components using LIGA technology. This process formed the object of a patent registration.

Appliques and Indexes A production facility was put in place for the realization of diamond indexes on all facets as well as a dedicated unit for gold, destined notably for the profile-turning production of several million micro watchmaking components, such as screws, inertia-blocks, stone settings, etc.

Mainsprings The industrialization and kinematical automated production provided new capacity and an improvement in the production flow. These developments offer the Swatch Group brands an industrial independence for the production of mainsprings for mechanical watches.

Silicon The improvement of chronometric precision results principally from new silicon products destined for Breguet and Omega, notably through the optimization of the geometry of the balance-springs and collet.

LIGA The industrialization of the LIGA technology enabled the production of components for the new Longines "Retrograde" calibers. These new industrial means also led to the construction of the new three-level Co-Axial movement, notably through the realization of pieces made of a Nickel and Phosphorous alloy.

Despite a fall in demand in 2009 for escapements and regulating elements, numerous orders from Swatch Group brands in the different horological domains of the core activities of Nivarox-FAR allowed the company to retain all its personnel, who benefited in the second quarter from diverse training programs centered on improving quality and efficiency. New developments in the realm of oscillators – in particular for Breguet, Blancpain, Omega, Longines, Tissot, Glashütte Original, Tiffany & Co. and Swatch – also led Nivarox-FAR to increase its capacity in the industrialization and development sector. The overall results of 2008–2009 added to the requirements registered for 2010 thus enable Nivarox-FAR to envisage its future activities and expansion with perfect equanimity.

COMADUR www.comadur.com

Thanks to the investments made in the production facilities as well as the rationalization of the organization, both at a structural and production level, the Swatch Group specialist in hard metals managed to improve its flexibility and the reactivity of its production process in 2009. These actions enabled the company to reduce production time whilst responding to a demand for increasingly complex products.

Accentuating the trend of the previous years, Swatch Group brands turned strongly to hard metals in 2009, particularly ceramics. The use of thin layers, anti-reflective coatings and metalization as elements of added value was also reinforced in all segments.

For its ceramics and sapphire crystal product lines, Comadur, in association with customer brands and other Swatch Group companies, contributed significantly to the bringing to market of new particularly innovative products, both at a functional and aesthetic level, as well as in the production process itself, particularly that calling upon deposition nanotechnologies.

The Le Locle-based company participated notably very actively in the last Omega innovation of a ceramic bezel encrusted with Liquidmetal®, with the development of the hard metal component that receives this amorphous material. An alloy of five different elements, Liquidmetal® is a solid metal glass which can be formed into very thin layers, approximately 0.1 mm in thickness, and which offers a hardness that is three times higher than that of stainless steel. Comadur also took part in a major way in other important projects such as the conception of the r5.5 for Rado, the Ploprof 1200M for Omega and the Atlas Lady collection for Tiffany & Co.

Activities for products related to micro-technology, such as micro-magnets and jewel bearings, remained stable in 2009.

Following closely the requirements of its customers, Comadur continued to invest in terms of resources as well as in the management and development of its expertise, thus reinforcing its competitive advantage.

RUBATTEL ET WEYERMANN

Adapting its machine infrastructure and bringing in-house the missing know-how, Rubattel et Weyermann have made major efforts over the past years to ensure that the company fulfils its mission and meets the needs of the brands of the luxury, prestige and high-level segments. 2009 therefore saw this dial-producer of La Chaux-de-Fonds continue this strategy with the introduction of a quality assurance concept, aiming at training managers and controllers in the increasing complexity of its products. Systems of numeric visioning were placed at each critical stage of production to ensure that each piece perfectly conforms technically to the plan in place. A centralized department of control was also created, allowing each work desk to be backed-up by dedicated software and equipped with measuring instruments that are indispensable to ensure that the quality criteria required by the customers are respected. All the employees are trained in this approach, ensuring the consolidation of the company as a Swatch Group supplier. The transversal development of its products has also reached a total autonomy and now encompasses all the stages from design through to industrialization and production of series, including the different phases of development and prototype creation.

MOM LE PRÉLET

In 2009 MOM Le Prélet consolidated its position as the privileged supplier of dials for a number of renowned watchmaking brands and contributed to the reinforcement of the label Swiss Made within Swatch Group. The Swatch Group brands maintained their orders at an important level throughout the year, enabling the dial company from Les Geneveys-sur-Coffrane (Neuchâtel) not to experience any negative impact on its workforce in a less than favorable economic climate.

A particular effort was made in 2009 to reinforce still further the versatility of the company's craftsman employees who benefited from important internal training programs. The investment in the creation of new production tools and processes contributed to the success of diverse industrialization projects, notably for Omega with its Aqua Terra, Tiffany & Co. with its Atlas Lady and Rado with its Ceramica Colors.

In response to the growing demand for varied types of product, an important expansion project was initiated in 2009 on an area of over 3000 m^2. This extension will enable the company to increase the capacity of product development and production at the disposal of Swatch Group brands and to pursue its strategy of integration and verticalization of numerous professions linked to the manufacturing of high quality dials.

DEUTSCHE ZIFFERBLATT MANUFAKTUR www.zifferblaetter.de

Deutsche Zifferblatt Manufaktur (DZM) specializes within Swatch Group in the creation of dials produced in small series and has thus been able to position itself in a complementary manner to other bigger competitors. Because of the worldwide financial crisis, the positive trend that DZM sales enjoyed in 2008 unfortunately did not continue in 2009, since the segment of highly complex top quality dials was largely affected. Nevertheless, thanks to its vast production possibilities, the company was able to realize additional products, enabling it to enlarge its flexible means of production and deliver to a new customer base. This again shows that traditional craftsmanship associated with the latest technologies and services undoubtedly provides the solid foundation for the production of the dials of tomorrow.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15
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UNIVERSO
Manufacture d'aiguilles de montres depuis 1909

Manufacture Favre et Perret SA

Ruedin

LASCOR

Indexor SA




UNIVERSO AND INDEXOR www.universo.ch

Following the second half of 2008 which saw the subcontractors of the watch industry experience the effects of the worldwide economic slowdown, 2009 turned out to be a difficult and unpredictable yet nevertheless satisfactory year for Universo.

The company, which is No. 1 in Europe for the production of watch hands, celebrated its hundredth anniversary and also reassured the market of its capacity to adapt to the economic environment by effectively navigating through this stormy period.

The first quarter of 2009 followed the same scenario as that which dominated the end of 2008, with a continuous fall in orders received from third party customers. This diminution was for a large part compensated by Swatch Group companies, who showed themselves to be the guarantors for the stability of Universo. The slight pick-up in sales of its customers in the second half led to a stabilizing of its portfolio at the end of the year, which enables the company to envisage a positive start to 2010.

The activities and projects undertaken by Universo in the areas of R&D, industrialization, logistics and IT followed the strategic objectives fixed in 2008. In this respect, one of the highlights was the start up of the integrated SAP software system, exemplary in the quality and mastering of a project of its size.

In response to its desire for constant improvement of its know-how and the quality of its products, Universo seized the opportunity of a fall in the work load of its employees to raise their level of competence and optimize their multi-task versatility through internal training courses.

The progressive integration of Indexor SA, a company specialized in the production of dial indexes – a decision based on the similarity between its processes and means of production and those of Universo – will enable Indexor to increase its capacity as of 2010 to offer the necessary supply required by the dial manufacturers of Swatch Group.

FAVRE ET PERRET

After two record years of growth, 2009 was marked for Favre et Perret by a diminution in volume of its products. The demand for complications from Swatch Group prestige brands, however, still increased. The workshops found themselves confronted with the challenge of developing and producing ever more complex pieces, both on a technical and aesthetic level. New watch cases for minute repeaters, pocket watches and high-end jewelry timepieces were delivered to Breguet, Blancpain, Jaquet Droz and Glashütte Original. New developments and products were also realized for Tiffany & Co. All activities of this producer of prestige watch cases now take place in its enlarged premises at the Crêt-du-Locle (Neuchâtel) which accommodates all the occupations and installations necessary to accomplish its mission. Work on extending the building as well as renovating the existing premises was completed at the end of 2009 thus offering Favre et Perret interesting prospects for further development. Investments in infrastructure were also made during the year so as to provide the company with powerful and efficient equipment constantly adapted to the requirements and needs of its customers. Together with the know-how of its highly qualified personnel these investments represent a guarantee in terms of competencies and production capacity that enable the company to face present and future challenges with confidence.

MANUFACTURE RUEDIN

Thanks to its strategy focused on the optimization of its production facility and the reinforcement of its competitive advantages, the Jura-based manufacturer Manufacture Ruedin was able during 2009 to meet the exacting demands of its customers both in terms of quality and of flexibility. The specialist in watch cases, combining metal with hard materials – ceramics, hard metals and sapphire crystal – also found itself attributed the responsibility for a number of new projects, taking advantage of the synergies of its transversal organization with other Swatch Group production companies.

Rado with its r5.5 and Longines with its PrimaLuna are examples of brands that were successfully accompanied by Manufacture Ruedin for the development of their new products. For Omega this collaboration was principally for the Speedmaster Professional Moonwatch, celebrating the 40th anniversary of the first moonlanding of an inhabited space flight and for the Ploprof 1200M, capable of resisting the extreme pressure to which divers are subjected.

Manufacture Ruedin is also very proud to have contributed to the great technological advancement in the form of the integration, as a decorative element, of Liquidmetal®, an amorphous metal alloy whose hardness is three times that of stainless steel.

In a move continually to improve its competitiveness and to offer an increasingly complete set of services, Manufacture Ruedin continues to develop its know-how thanks to qualified personnel and the acquisition of new installations.

LASCOR

During 2009 Lascor focused its activities as much on its internal organization as on its new product offering. An existing building was entirely transformed to house the production activity of gold decoration and bicolor bracelets for the New Constellation Omega timepieces. The surface of production was thus increased by more than 25%, enabling Lascor to integrate new machines into its existing infrastructure. This development represented an important investment. The security aspect of the building was realized in collaboration with Swatch Group Immeubles with the installation of high-performance anti-breaking-and-entering and access-control systems. From an organizational standpoint, the accent was placed on reinforcing quality control, logistics and the control of precious metals. The set up of an after sales service department is also nearly completed. Despite a difficult year from an economic point of view, important bases for future development have thus been laid, enabling Lascor to offer Swatch Group a highly qualified support structure.

MECO www.meco.ch

Trends 2009 was marked for Meco by the difficult economic environment which characterized the financial year. The destocking and postponement of part of the orders made by customers outside Swatch Group resulted in a noticeable diminishment of activity for the company, specialist in the production of crowns and pushers. Thanks to targeted measures, such as the training of employees and work time management initiatives aimed at reducing or using up hours of overtime or holidays previously accumulated, this difficult period was nevertheless mastered without having to reduce the number of personnel. An intensified effort in sales prospecting and the launch of new product development projects also enabled the company, to a certain extent, to counterbalance the fall in activity.
Investments Diverse investments in laser technologies and cold forming were realized in 2009, enabling the company to satisfy market demands. New procedures, principally dedicated to shaped pushers, are thus being implemented. In a desire for greater simplicity and transparency, the production workflows were also reworked both in terms of production and logistics, resulting in a partial redefining of Meco's production facility in Switzerland. Additional resources were also deployed for certain projects aimed at reducing production costs. In addition, in line with the company's objective of customer satisfaction, a reinforcing of competencies was undertaken in the domain of quality assurance aimed at rendering processes even more reliable.
Products Meco realized no fewer than 140 new products in 2009. In the course of their development, several interesting solutions were presented for the timepieces of the company's customers, in particular for Blancpain, Omega and Tiffany & Co. watches.

SWATCH GROUP ASSEMBLY

The activities of Swatch Group Assembly in 2009 were focused on the consolidation and selective expansion of its production lines so as to guarantee Swatch Group brands even greater quality, flexibility and technical expertise. Thanks to the investments made, the equipment of the modern Genestrerio site in the southern part of Switzerland meets with the most stringent industry demands in terms of control and testing and provides a working environment with a degree of cleanliness only surpassed by laboratory conditions.
The first half of 2009 was marked by the acquisition of new required technical and logistics competencies by the company's close to 200 employees, through the newly created training unit, the first stage towards the creation of a full-blown training center planned for 2011. A prototype department was established in order to meet the needs of customers to be fully involved in new product developments from the very beginning of the process. The second part of the year then saw the company test its responsiveness to rapid changes and increase in production demands. Thanks to these efforts in the areas of human resources, production tools and working environment, Swatch Group Assembly has now reached a level of versatility and maturity which enables it to assemble all types of watches – from quartz to mechanical timepieces and chronographs as well as high-tech models such as the Tissot T-Touch – and to offer each an excellent level of quality and a short assembly time, whatever its degree of complexity.
For 2010, Swatch Group Assembly is preparing to extend its production surfaces which will enable the company to offer its customers a bigger assembly capacity and new competencies.

ELECTRONIC SYSTEMS

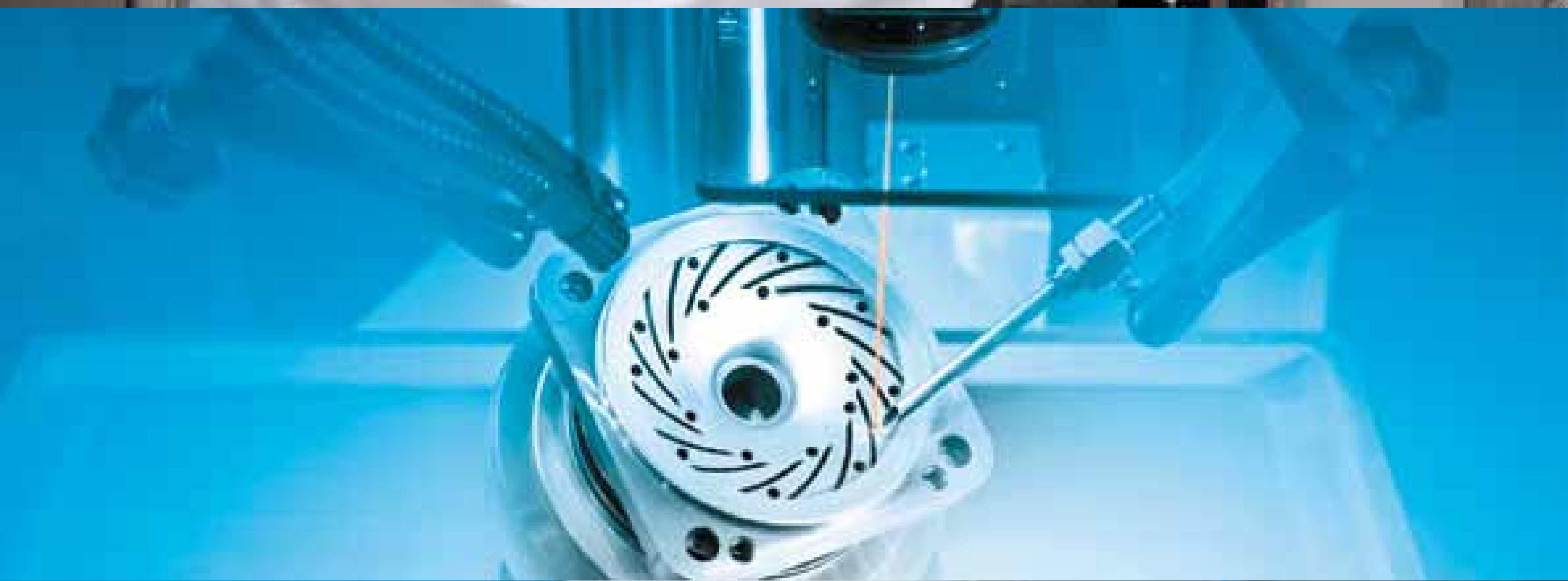
SWATCH GROUP ELECTRONIC SYSTEMS

Swatch Group Electronic Systems (SGES) brings together a remarkable blend of competences in areas such as ultra low power consumption, miniaturization and very high precision. This expertise is of strategic importance to Swatch Group as it provides the development of specific watch components and services, which are essential to the watchmaking companies, as well as engendering revenue outside the watch segment.
The spread of markets and industrial areas addressed through all seven SGES companies provides a unique and differentiated tool to directly apprehend and monitor worldwide economical fluctuations in the electronics industry. SGES efficiently counteracted the most important market variations in 2009 with a flexible human resource pooling scheme across its manufacturing companies, thanks to the inherent technical, cultural and local proximity of its manufacturing sites, thus not only preserving the jobs, but also the highly valuable know-how of its employees.
In 2009, EM Microelectronic, Micro Crystal and Renata produced well over a billion electronic components and further improved and optimized their production infrastructures in order to strengthen their position in the market, addressing the very specific technical challenges of this segment. Investments in research and development continued to be made, particularly for EM Microelectronic, and the position of companies whose business is less directly related to watchmaking – Oscilloquartz and Lasag – was reinforced through partnerships and external alliances.
An agreement was reached at the end of the year to transfer assets from Microcomponents, a company specializing in stepping motors for the automotive industry, to a long-term partner in 2010, as a result of the group's strategy to refocus on its core business.

EM MICROELECTRONIC

www.emmicroelectronic.com

In 2009, EM Microelectronic managed to remain profitable every single month and finally resumed its growth on a year to year basis after only 12 months despite the fact that the global semiconductor industry was severely affected by the economic downturn. Customers showed high confidence in EM's low power, low voltage, mixed signal circuits with non-volatile memory, by ordering an exceptionally high number of new customized integrated circuit designs.
In order to improve its competitive offering for the future, EM ramped up its 8 inch fab into full production during the third quarter whilst shutting down its 6 inch fab. This also enabled shipping of the first products using the 0,18 µm low power process with special features.
The company further maintained its investments into security, with the implementation of a secure design network followed by a complete review of all relevant company processes in order to guarantee state-of-the-art information security for certified product development (Common Criteria).
On the application side, EM development teams broke new ground in a number of fields, coming up with innovative designs and improved technical performance in customized ASICs as well as standard IC products. Notably, the zero power concept unveiled in 2008 has now matured into a new revolutionary power supply platform ready for industrialization, enabling electrical appliances to operate with less than 10 mW in standby mode, well below the maximum 0.5 – 1.0 Watt consumption authorized by the new EC standards.
2009 also saw the first flexible plastic LCD displays successfully integrated in combination with EM's capacitive touch technology into commercial products such as smartcard applications. The combination of flexible displays with tactile technology is also of strategic importance for innovative watch designs.
Watches EM launched a fully new flash-based watch microcontroller running at only 1.2V. The new device is used primarily in watch chronographs and features a revolutionary new watch motor driver allowing a reset of watch hands up to 10 times faster than previous models and at about half the power consumption of competing products.
Motion and Optical Sensing The market requires improved performance and diversity of sensory functions such as pressure, compass, accelerometer and microphone, especially for mobile phones and smart phones. EM engineers managed to interface increasingly smaller capacitive MEMS sensors, without deteriorating the signal to noise ratio (SNR). These smaller sensors are of primary importance for handheld device integration. Improved resolution could also be achieved with pressure sensor interfaces, which are now able to indicate altitude variations well below 1 meter. Such sensors are used to improve the precision of GPS functions.
Radio Frequency Identification and Communication EM further enhanced its product portfolio with a new transponder IC with flash memory implementing the full ISO 14443 standard, which is used mainly in banking and transportation application. The same chip also supports the ISO 15693 standard favored for access-to-leisure applications, such as ski resorts and amusement parks, because of its higher reading range. EM shipped the first product in the market combining both worlds whilst maintaining full performance also at the longer reading range.
The outstanding performance achieved with EM's first 2.4 GHz transceiver IC has been widely acknowledged in several compatibility tests with other players in this market. EM has constantly been adapting its prototyping platform for Bluetooth Low Energy technology to the latest evolution of the standard and will be ready to launch fully integrated products upon publication of the standard. Meanwhile, design-ins of the RF front-end technology for proprietary protocols have also started.




SWISS
MADE


Ω OMEGA

LASAG www.lasag.com

With over 30 years of experience, Lasag is one of the leading manufacturers of solid state industrial lasers for use in the medical, automotive, electronic, aerospace and watchmaking industries.

The difficult economic climate of 2009 posed a major challenge for the company, its customers and suppliers, but the excellent position of Lasag in the market, its exceptional after-sales service and continuous investment in project development enabled it nonetheless to have a successful year.

In 2009, at the biggest laser exhibition in the world in Munich, Lasag launched its new product the CFS fiber laser series. The CFS Cut package was specially developed for cutting thin walled parts such as stents for the medical device industry. At a guaranteed high productivity it provides an excellent cutting quality with a cut width less than 20 micrometers. The CFS Weld package is aimed for micro-joining applications such as seam welding of thin walled parts for the electronics and medical industry.

A worldwide leading handling manufacture became Lasag's new OEM partner. The partner introduced a very flexible five axes laser welding system for material deposition and repair welding of tools and molds for the aerospace and power generation industries. With its unique teach-in and programming functions it has set the bar for efficient laser processing of single pieces as well as medium-sized lot sizes.

Lasag's adaptive "closed-loop" energy control for its lamp-pumped lasers guarantees precision and power stability. Using the unique pulse-forming feature within a 100 ms-long pulse the laser parameters can be adapted to the specific welding requirements of demanding materials such as cast iron, steel with a high carbon content and high performance alloys.

RENATA www.renata.com

Renata, one of the leading manufacturers for coin cells, was able to increase its market share in 2009, particularly in the basic segment of watch batteries, and finished the year stronger than 2008. After a difficult start, influenced by the global financial crisis, the efforts of cost-sensitive production planning, improvements in productivity and dedicated sales paid off in the second half of the year, with demand for Renata products increasing significantly, particularly in the watch retail market. In other segments, such as Lithium primary or Zinc-Air, Renata also stabilized its market share and gained new customers by offering client-oriented solutions.

Although sales within the automotive industry decreased, Renata was able to improve its overall competitiveness by focusing on its core watch business.

With the successful homologations and deliveries of the new mercury and lead-free watch battery to key customers, Renata has set the course for a promising 2010, having realized the necessary investments in order to change the production completely next year and by so doing save several hundred kilos of mercury per year.

As in previous years Renata was present in 2009 at the most important trade shows, including the Watch & Clock Exhibition in Hong Kong (China), the AAA Audiology NOW! in Dallas (USA) and JCK Las Vegas (USA). For the first time this year at Baselworld (Switzerland) Renata welcomed customers not only at its own stand but also that of ETA.

MICROCOMPONENTS www.microcomponents.ch

Microcomponents makes and services stepping motors for the automotive industry, including cockpit indicators for speed, RPM, and gas levels. In 2009, Microcomponents continued to invest in research and development and, despite the difficulties experienced within the automotive industry, successfully launched two new products to satisfy future market requirements.

To ensure Microcomponents' continuing progression in its niche segment, and in line with Swatch Group's strategy to refocus on its core business, an agreement was made at the end of the year with its long-standing Singapore-based business partner of over twenty years, Juken Technology, for the sale of its stepping motor production activities. The transfer of assets is set to take place on 1st April 2010.

MICRO CRYSTAL www.microcrystal.com

Founded 30 years ago to provide low-frequency quartz crystals for the watchmaking industry, Micro Crystal now produces crystals for a wide range of applications, notably in the telecommunications, electronics, aeronautical and medical sectors and is currently the only producer of renown outside of Asia. Although the volume of demand for use in quartz watches today is proportionately lower than for other sectors, the strategic importance of its production is far from negligible in that it ensures Swatch Group's independence from Japanese quartz manufacturers.

2009 saw the first stages of industrialization and mass production of several new products. Notably, miniature extra-thin quartz crystals of only 0,4 mm to be integrated into new bank cards, contributing to the improvement of money transfer security. For other sectors, it is the overall size rather than the thickness of the quartz crystal that is important and Micro Crystal was able to deliver tiny crystals measuring only 2 x 1,2 mm. For temperature-compensated real-time clocks, Micro Crystal quartz crystals were integrated into small ceramic packages together with electronic circuits, produced by sister Swatch Group company EM Microelectronic. These integrated products are used by applications requiring a low energy consumption time display, such as navigation systems.

Although faced with a slowdown of production at the beginning of 2009, orders already began to pick up in the spring and, by the summer/fall, demand was so great that three shifts were working on a seven-day week basis and, despite being at maximum output, backlogs were experienced in the fall. This spectacular rise in demand enabled Micro Crystal to employ additional manpower and the major production volumes during the second part of the year ensured that the company obtained good results overall for 2009, despite a difficult start and the strong pressure on price exerted by its customers. Given the success enjoyed by both its classic and new products, Micro Crystal therefore looks forward to 2010 with confidence.

OSCILLOQUARTZ www.oscilloquartz.com

A successful year Specialized in time-frequency, Oscilloquartz, the provider of equipment and infrastructure for fix line and mobile telecommunication network operators in over a hundred countries, supplies frequency products based on GPS systems to manufacturers of wireless-based stations and high performance frequency products for meteorological and localization applications. Despite the global economic crisis, and taking the exchange rate at a constant level, Oscilloquartz's results in 2009 showed some upturn in growth, confirming the company's improved position after the difficult period of 2003–2005.

Pursuit of international expansion Oscilloquartz continued to reinforce its position as international leader in the area of time-frequency and network synchronization. Although the proportion of sales realized in Europe was lower during 2009, it was compensated by a marked progression in sales in other markets.

Wireless activities, notably in the United States and Far East, picked up greatly and confirm the company's good positioning of recent product developments. Launched in 2008, the STAR products – whose dimension / cost / performance ratio is optimal to service the synchronization needs for wireless-based stations (3G, 4G, and WIMAX), as well as those of digital broadcasting (DVB) – were the force behind this growth. A new generation of modules and satellite-based synchronization equipment, GLOANASS, is now in its development stages.

With an enlarged international presence and an offer which corresponds well to the technical and budgetary requirements of its clients, Oscilloquartz has been able to face up to the difficult economic climate. The permanent effort to reduce production costs as well as indirect costs has also enabled the company to reinforce its competitiveness.

Transport of information over Ethernet networks – Synchronization of services The evolution in technologies regarding the transport of information has led to a redefining of synchronization needs. Ethernet-based transportation networks require specific care for their synchronization needs at a service level. This service can be covered by solutions based on the availability of GPS or GLONASS signals, but better still by the advent of solutions based on two-way time transfer protocols over the Ethernet network, enabling the synchronization of a "master" clock and "slave" clock to the nearest microsecond.

SWISS TIMING www.swisstiming.com

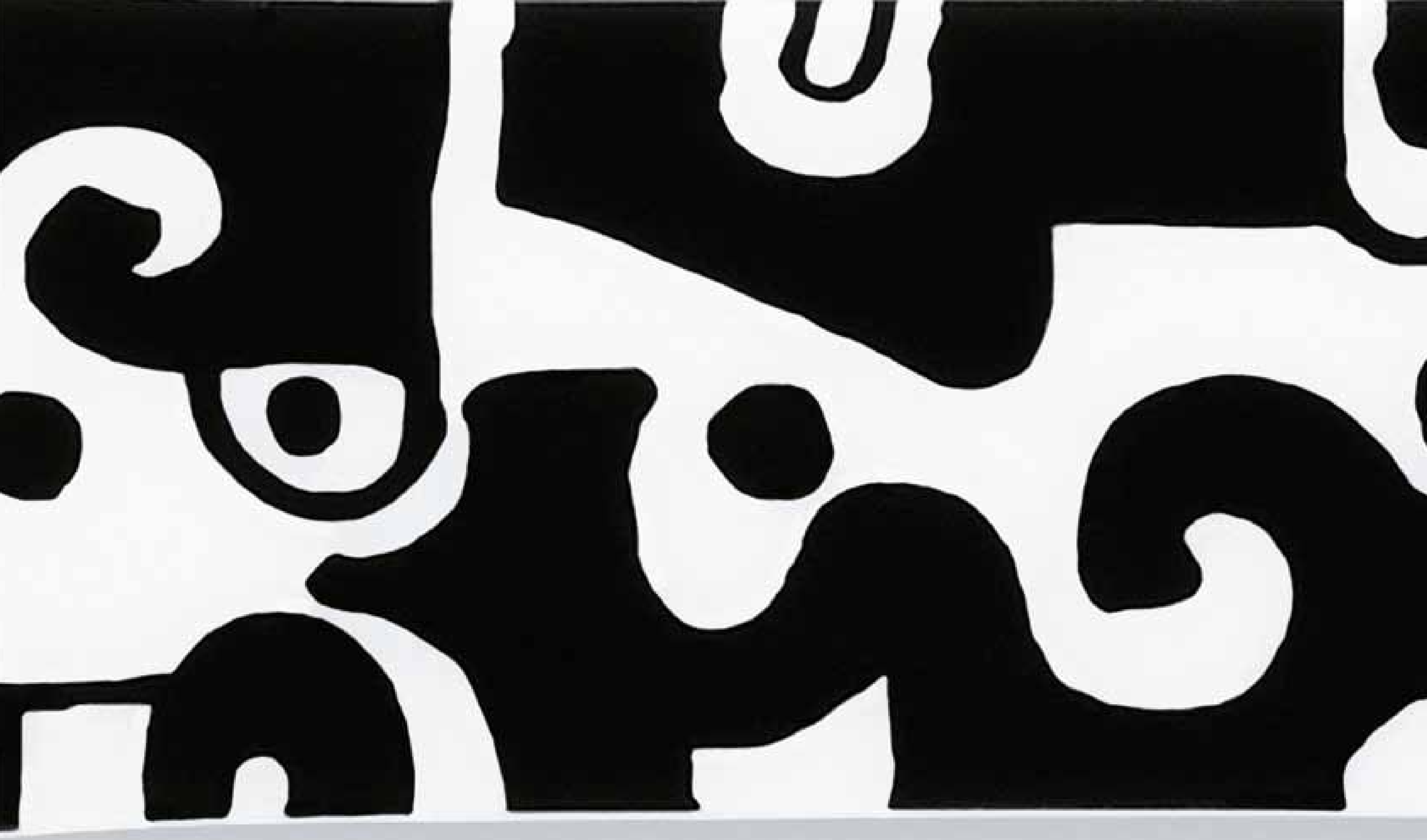
With results more rapidly displayed, ever more precise and reliable measurements and new parameters put in place to support the television stations making the competitions even more attractive, 2009 was the opportunity for Swiss Timing to consolidate its strategy of product and service development so as to structure its course of activities which, within the new contract between Swatch Group and the IOC, will mark for Omega, via Sochi (Russia) and Rio de Janeiro (Brazil), the different stages for the summer and winter Olympic and Paralympic Games until 2020.

New and diverse timekeeping equipment was introduced in 2009, including the electronic starting pistol developed to meet the new regulations limiting the transport of firearms, the new starting gate for alpine skiing, to be used at the Olympic Games in Vancouver, and the new swimming starting block with integrated adjustable footrest which revolutionizes the manner in which swimming races are started.

Major competitions took place in 2009 and the different organizing committees relied on Swiss Timing for the most important of these; The World Games in Kaohsiung (Taiwan), the Summer University Games in Belgrade (Serbia), the East Asian Games in Hong Kong, the Gymnasiades in Doha (Qatar), as well as a number of World Championships including alpine skiing in Val d'Isère (France) and nordic skiing in Liberec (Czech Republic), aquatic sports in Rome (Italy), and all the continental basket ball championships (Africa, Asia, Europe and America) for which Tissot is henceforth official timekeeper.

In total 21 international federations now call upon Swiss Timing's services for the organization of their events and the range of the company's products and services is continuously enhanced. Leader in the realms of timing and scoring, Swiss Timing is also a major player in the area of processing of data and results, and TV graphics (standard and virtual). The company now also provides effective accreditation services and the diffusion of information to the public and media.

2010 will be marked with new challenges, including the winter Olympic and Paralympic Games in Vancouver (Canada), the first Youth Olympic Games in Singapore, the South American Games in Medelin (Columbia), as well as several dozen World Championships and several hundred World Cups in numerous disciplines.



CORPORATE, BELENOS

SWATCH GROUP RESEARCH AND DEVELOPMENT

Swatch Group Research and Development, founded in 2005, comprises the activities of two divisions, Asulab and CDNP (Center of Development for New Products). In addition to their respective research and development activities, both divisions are also involved in co-ordinating the technological innovations of the various companies within Swatch Group.

ASULAB www.asulab.ch

As Swatch Group's corporate research and development laboratory, Asulab's core mission is to design technically innovative watch products, subsystems and components, and to develop the corresponding state-of-the-art manufacturing technologies. To accomplish this mission, Asulab relies on the expertise and experience of its highly qualified staff, and the corresponding specialized technical infrastructure. Close co-operation with universities, technical schools and colleges, as well as research institutes in Switzerland and abroad, provides Asulab with direct access to cutting-edge technologies and knowledge. This link with scientific institutes is essential to Asulab's innovative activities in the fields of micro-technology, micro-machining, optics, displays, sensors and actuators, as well as micro-electronics, wireless communication, and materials and process engineering. Asulab therefore reinforced its co-operation with the Swiss Federal Institute of Technology Zurich (ETH Zurich) with whom a large number of projects were launched. This year Asulab also increased its collaboration with top-level research institutes in Europe and in the USA. In 2009, Asulab thus worked on almost fifty multidisciplinary research and development projects, in collaboration with partners both outside and within Swatch Group.

This year's activities relating to technology transfer in the materials field yielded very positive results, with new materials being used for the first time in watchmaking. A number of other projects relating to electronic systems and components were finalized, thereby opening the way for promising Swatch Group production in watchmaking as well as in neighboring fields. These electronic products, together with the associated micro-technological developments, have in turn led to the creation of very promising new products that will be used to create new types of watches in the years to come. Such new products are developed by combining interdisciplinary skills and technologies such as micro-technology, electrochemistry, injection-molding, and the use of laser or water-jet equipment. Asulab is also developing its infrastructure for the validation and industrial application of recently introduced processes by setting up equipment for pilot production. This, together with the corresponding adaptations in techniques used by sister companies, ensures industrial quantities can be produced. Several production machines of this kind which must meet stringent multiple requirements have been constructed at Asulab for transfer to sister companies, and are now in operation in various domains within Swatch Group. In 2009 Asulab's production machine design department and workshops were able to realize cutting-edge equipment that will allow high-precision and large-volume industrial production of a number of innovative products for Swatch Group.

CDNP (Center of Development for New Products)

As the place where numerous different Swatch Group models are conceived and developed, the CDNP has built up a long experience and important know-how in the creation of the external parts of a watch, confronting dreams and new ideas with technical and economic realities. Defining products' particular specifications and following them right through the production process, a team of designers, engineers, technicians and micro-mechanics thus bring together creativity, aestheticism and technicality.

Ultramodern tooling methods enable CDNP to provide prototypes of impeccable polish and finish, whatever the material used. Special production tools are also created thanks to a number of CNC machines, which are linked up to a high-tech CAD network. A secure CNC tooling centre dedicated to precious metals enabled the production in 2009 of small series of gold watchmaking components. The creation of high performance synthetic resin dummies using a rapid prototype method remains the preferred aesthetic approach. The new state-of-the-art 3D printer now enables the company to produce flexible polyamide watch straps. A special installation for polymer casting produces prototypes in different colors, used for example for functional bracelets like those in rubber.

Technical films using computer graphics and animated virtual images were made in 2009 to illustrate different watchmaking movements or to highlight new designs. This type of activity also enabled the company to create realistic virtual renditions of the future boutique installations for Certina and Swatch. New software for the realization in real time of virtual images was also installed. This software tool, which allows several variations of a design to be viewed immediately, constitutes a precious and efficient tool to aid the different brands' product managers in their decision process.

Working closely with the brands' quality departments, Swatch Group Quality Management and watchmaking component manufacturers, CDNP continued in 2009 to update its technical specifications and criteria according to ISO and NIHS norms.

Increasingly, CDNP also advises brands on all aspects linked to the packaging of products according to both ecological and economic criteria. New developments, the drawing-up of specifications, homologation tests and working instructions, as well as order management were the principal tasks covered in this area.

New materials and technologies resulted from research arising from the close relationship between CDNP and Asulab. CDNP also works with other Swatch Group production companies to test and evaluate future production technologies. In 2009 several patents were registered, further enhancing CDNP's vast portfolio and reinforcing Swatch Group's position as the world's number one watchmaking group.

SWATCH GROUP
THE SWATCH GROUP RECHERCHE ET DÉVELOPPEMENT SA

ASULAB

CDNP

BELENOS CLEAN POWER

During the course of 2009, significant progress was achieved in all areas where Belenos Clean Power Holding Ltd is active.
The Belenos concept relies upon the use of the sun as a principal source of energy. This energy must be captured, stored and transported. The different Belenos development programs are based around this concept, essentially in order to optimize the efficiency of solar panels, produce hydrogen and oxygen using a solar-produced current, and develop a new type of fuel cell.
Swiss Hydrogen Power SA continues its development of a high-tech decentralized electrolyser cell at a competitive price. Research into other components of the production chain, such as the systems for storage and distribution of oxygen and hydrogen is also underway. The creation of a new research and development laboratory for Swiss Hydrogen Power in Marin (Neuchâtel) will enable all the different activities to be grouped together in one site.
The collaboration with the Paul Scherrer Institute in Villigen (Aargau) for the realization of a new type of fuel cell using both hydrogen and oxygen continues to give excellent results. The development program is taking less time than originally planned and the tests on prototypes have confirmed the strategies defined and most of the hypotheses put forward at the outset. The different investments were spread out over 2009 so as to be able to pursue these developments and their associated tests.
As a long term project, Belenos launched a fundamental research program for the conception of a "container" that will enable the accumulation and stocking of solar energy.
In the area of photovoltaics, Belenos wants significantly to improve the productivity of solar panels and reduce production costs. A detailed evaluation of the different existing technologies was undertaken, as well as a feasibility study for the construction of a new research and production center.
In addition to these projects, Belenos is also about to found an engineering company which will offer global energy solutions for buildings, including heating, production of electric current and air conditioning, in order to provide clean energy for both new and existing real estate.
So as to realize these important innovations, Belenos relies on an influential board of directors *(see photo)* and on numerous pools of expertise in the areas of physics and other fundamental sciences. Several collaborative projects with specialized partners in specific fields have enabled Belenos to speed up development programs and obtain encouraging results for the future.

ICB Ingénieurs Conseils en Brevets

The essential mission of ICB Ingénieurs Conseils en Brevets is the protection of Swatch Group's technical innovations, the valorization of its acquired technological know-how, market intelligence and fighting against counterfeits.
In 2009 ICB continued in its efforts to protect the technological assets of the different Swatch Group companies and research and development entities. The number of demands for the registration of patents for new developments remained at the same level as 2008. This achievement is the result of an efficient synergy maintained between the teams of engineers and researchers of all the different Swatch Group companies. This collaboration was particularly important again this year both in the watchmaking and non-watchmaking Swatch Group activities.
Major efforts were made to support Swatch Group brands in their strategy to penetrate international markets. In this perspective, financial investments to obtain protection of their new products abroad were made in a targeted manner, so as to cover the main markets and principal production sites.
Working closely with Swatch Group's legal department, ICB carried out actions aimed at assisting different companies and departments within Swatch Group so as to ensure the defense of their rights, whatever the place and the circumstances.
Throughout 2009, ICB's management board maintained its financial strategy of controlling functioning costs. It also managed to stabilize operational costs relative to the acquisition of patents. In this way ICB's yearly financial results were in line with its budget forecast.

SWATCH GROUP QUALITY MANAGEMENT

The main mission of Swatch Group Quality Management (SGQM) consists of improving conditions of production processes to ensure that Swatch Group companies guarantee their products meet all legal and technical requirements. Using a transversal approach, efforts are made to cover subjects that are valid and of general interest to all concerned. The aim is to elaborate the criteria for the minimum level of quality, to which all companies must adhere, but which they are free to surpass.
Legislation relative to chemical substances Increasingly numerous and severe, particularly in Europe and the United States, regulations relative to chemical substances are followed closely by SGQM, who informs all companies concerned to fully enforce them.
Expected to be passed in 2011, the revision of the RoHS (Restricted use of Hazardous Substances) regulation covers seven new substances – three phthalate esters, one flame retardant, PVC, organochlorines and

BELENOS
Clean Power Holding Ltd

I · C · B
INGENIEURS CONSEILS EN BREVETS

SWATCH GROUP
QUALITY MANAGEMENT


N.G. HAYEK


J. ACKERMANN


NAYLA HAYEK


G. CLOONEY

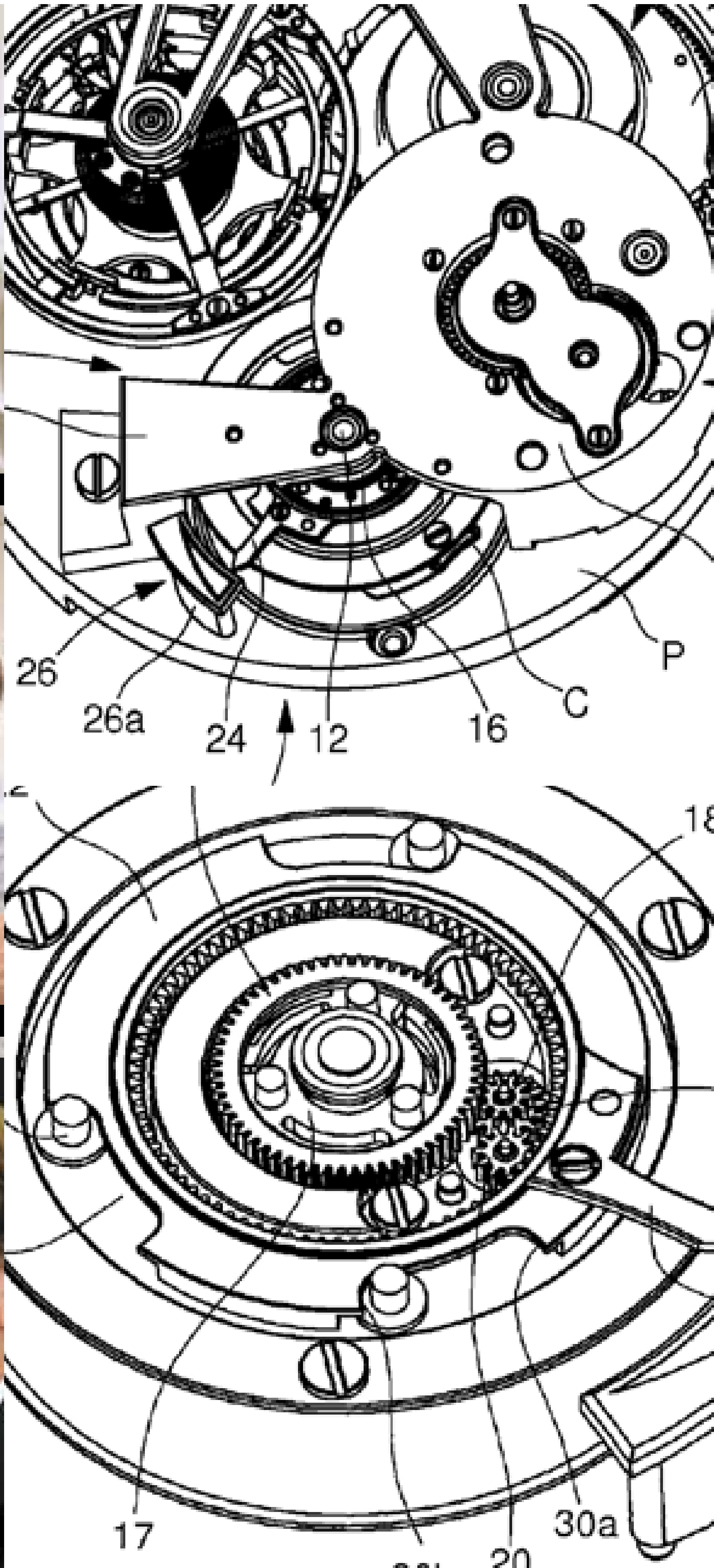

R. EICHLER


N. HAYEK


C. NICOLLIER


J.N. SCHNEIDER-AMMANN


P. VIRDIS



SWATCH GROUP
THE SWATCH GROUP IMMEUBLES SA

SWATCH GROUP
CORPORATE CUSTOMER SERVICE

SWATCH GROUP
THE SWATCH GROUP DISTRIBUTION AG

organobromine compounds – in addition to the six restricted substances already listed, as well as introducing the obligation of the CE marking and the setting up of a declaration of conformity to EC regulations.

The former directive 76/769/CEE on chemical substances was included, together with the new restrictions, in an annex to the REACH regulations with the proposal by the European authorities to add a further fourteen chemicals to the list of hazardous substances.

Incidents that have arisen with diverse leather goods caused the European Union to ban the use of dimethyl fumarate (DMF) for consumer products. SGQM has coordinated the necessary actions to fully apply this restriction for all Swatch Group products.

The directive 2006/66/CE concerning batteries now obliges the manufacturers concerned to provide specific information to the final customer – such as type of battery, means of changing and disposing of the battery – and to become part of a collection network for used batteries.

Quality assurance Supply chain audits were carried out based on a reference system established by SGQM. Verifying that their products conform to the required standards, Swatch Group companies carried out thousands of tests and homologations in laboratories specially selected for the purpose.

An Intranet set was put in place to facilitate the exchange of information and to make SGQM documents more accessible. An SQL database was also created in order to share best practices in terms of information and methodology as well as to treat systematically the 67 chemical substances subject today to regulations.

A series of analyses were conducted in association with the Federation of the Swiss Watch Industry (FH) to improve the method of determining the release of nickel. This research led to reducing the uncertainty linked with the used method, according to the EN 1811 standard. It also enabled the evaluation of the new prEN 1811 standard by comparative measurements.

Important progress was also made in the determination of tolerances and functionalities of threads as part of a project of strategic importance. These results will help to complete the missing information in the corresponding NIHS standard in 2010.

SWATCH GROUP DISTRIBUTION

Swatch Group Distribution IT, The Distribution IT unit, continued the deployment of its information technology platform in Asia with the successful integration of Swatch Group Malaysia. The platform was also updated to the latest ERP software, to take advantage of new functionalities and protect Swatch Group assets. Interfaces between corporate stores and the distribution platform were redeveloped using modern technology to improve security and performance. Distribution IT also continued its efforts towards the deployment of its customer service module, with the integration of Swatch Group Italy and Swatch Group UK. Finally, further levels of automation were implemented in order to improve the goods receipt processes in the European distribution centers, in a move to save costs and improve time-to-market deliveries.

European Distribution Center (EDC) In 2009 the EDC again proved its ability to distribute products in a fast and efficient manner throughout Europe. Starting the year under economically challenging circumstances, the main focus for the EDC was on cost-saving initiatives whilst maintaining volumes. Substantial improvements were achieved through a significant reduction in transportation rates, a reduced number of express deliveries to all countries and a better consolidation of shipments. Warehouse operation costs were also reduced by improvement of productivity within the warehouse.

Other key initiatives in 2009 included the renovation of the warehouse building, the development of an automated short product allocation process and the continued improvement of existing processes in close collaboration with the brands.

Swatch Group Logistics Swatch Group Logistics continues to collaborate closely with the brands and subsidiaries to improve the flow of goods and information by integrating the global supply chain. Omega, Longines, Tissot, Certina and Mido have already implemented systems successfully, whereas Swatch is testing a "state-of-the-art" planning system for worldwide forecasting and the replenishment of the European Distribution Centre. The integration of market sales data drives the supply chain, by improving sales forecasting accuracy, inventory replenishment and production planning. This has resulted in higher product availability and reduced inventory-holding costs. The intention is to extend these proven best practices to other brands, distribution centers and point of sales worldwide in the future.

SWATCH GROUP CORPORATE CUSTOMER SERVICE

The Customer Service has held up well against the economic crisis since overall service on watches of Swatch Group brands in 2009 was at around the same level as for the previous year, even showing an upward tendency. In line with its objective of being increasingly closer to its customers, 2009 saw the creation of two new customer service centers. The center in Moscow enables Swatch Group to enhance its image in Russia and the other, in Johannesburg, is the first customer service center on the African continent. A new Collect Center point for customers was also opened in Barcelona, consolidating the presence of Swatch Group customer service in Spain.

From a quality standpoint, Corporate Customer Service created a new, uniform multibrand tool to standardize its performance evaluation process and, through the use of best practices, guarantee a higher standard of quality of its service centers. "The Customer Service Evaluation Tool" has now become the standard tool used for audits of both Swatch Group centers and authorized technical centers, thus providing coherent and comparable results.

New guidelines were developed for service centers to complement the basic "Management Manual" and "Operation Manual". In addition, the "Reception Area Concept", "Customer Service Infrastructure" and the "Tools Catalogue" provide the managers of the different service centers with the necessary tools to put into application the Swatch Group principles relating to proper customer interaction and watch care.

In 2009, the IT infrastructure was further optimized and enhanced with additional functions. Italy and the UK became part of the global repair management system, enabling a better follow-up of the flow of activities of the different service centers to the end customer, as well as obtaining performance indicators. Feedback from the markets generated by these tools provides key information critical for the continuous improvement in quality of Swatch Group products.

SWATCH GROUP IMMEUBLES

www.swatchimmo.ch

Activities for Swatch Group Immeubles in 2009 in the **real estate renting sector** were again characterized by a large number of evaluations, sales and promotions, as well as by the planning and realization of numerous projects. The adaptation and renovation of existing buildings brought an improvement in many places to the standing and value of the retail estate portfolio. The infrastructure of the industrial sites rented out to third parties also benefited from major renovation work, particularly concerning sanitary, air-conditioning, electric and security installations.

In 2009, real estate administration, both financial and technical, managed over 6600 rental and lease agreements across eleven Swiss cantons, including those of Berne, Neuchâtel, Solothurn, Jura and Vaud, as well as various different areas of land owned by Swatch Group. The majority of the 400 apartment buildings, 44 properties and plots of land, as well as the sixty or so plots of land given over to parking places in the real estate portfolio belong to the Swatch Group Pension Fund, other companies' employer's funds and different affiliated companies. Swatch Group Immeubles also manage properties active in agroforestry, which belong to Swatch Group and its associated foundations. This patrimony is divided into agricultural concerns located in the cantons of Neuchâtel and Solothurn, and forestry concerns spread across the cantons of Berne, Neuchâtel, Vaud and Solothurn. The agricultural concerns are rented out to tenant farmers who undertake traditional farming activities covering a total surface area of 3867345 m^2 (over 386 ha). The plots of land and forests cover 1 473 727 m^2 (over 147 ha), giving a total of over 534 ha (5 341 072 m^2) in land property.

The **industrial sector** of Swatch Group Immeubles enjoyed steady activity in 2009 both in Switzerland and abroad. Already started a number of years ago, the process of updating and improving the real estate portfolio and ameliorating the infrastructures continued in a number of Swatch Group companies – notably Longines in Saint-Imier, Frédéric Piguet in Le Sentier (Vallée de Joux), Omega and Swatch Group Distribution in Biel – where important building work has already been successfully carried out. This work is part of a strategic policy to improve safety in the work place, to optimize and verticalize production flows, to ameliorate technical infrastructures to ensure a higher level of quality in production and to reduce energy consumption in line with a vision of sustainable development.

In order to meet the demands for additional production surfaces, an important extension to the T1 assembly was realized at the Longines factory in Saint-Imier. The laying of the first stone of the Jaquet Droz Manufacture at the Crêt-du-Locle (Neuchâtel) was celebrated on 9th September in the presence of representatives of the Swatch Group Management Board and of the local authorities, as well as members of the brand's management board. Started in April 2009, the work will be completed by summer 2010 and the new site will enable Jaquet Droz to group together all the different professions under the same roof, offering an important potential for growth.

With its different operations and services proffered to Swatch Group affiliates around the world, Swatch Group Immeubles has closely participated in the extension and relocation of Swatch Group Poland in Warsaw, as well as in the creation of the South African subsidiary, with its new administrative, logistics and complete after sales service offices.

Finally, Swatch Group Immeubles coordinated the participation of the different Swatch Group brands at Baselworld 2009 and contributed to the development of their various boutique networks. Breguet thus inaugurated five new locations in Hong Kong, Taipei, Seoul and Busan in South Korea and Yekaterinburg in Russia, where Blancpain and Omega also opened stores. Omega also opened boutiques in Dublin and at Geneva Airport, whereas Swatch completely renovated its boutique in Times Square, New York.

SWATCH GROUP IN THE WORLD

SWATCH GROUP **GERMANY (1)**

2009 was a good year for Swatch Group Germany. Despite the difficult economic situation, business increased compared to the previous year due to focused initiatives in distribution and marketing. Brands in the high range, such as Longines and Union Glashütte, and in the middle range such as Tissot, Hamilton and Mido, did particularly well in the German market and gained further market share. Retail business continued to develop positively again throughout 2009. This was especially true of the three Omega boutiques in Munich, Hamburg and Berlin.

Blancpain President Marc Hayek demonstrated his racing skills to journalists and clients at the Lamborghini Blancpain Super Trofeo at the Norisring circuit near Nuremberg where the Blancpain Flyback Chronograph Super Trofeo limited edition model was presented. Glashütte Original unveiled its first certified chronometer, the Senator Chronometer, to a select audience in the luxury Adlon Hotel in Berlin at an exclusive preview before its presentation worldwide. Omega posted healthy growth for the fourth year running, with the unique history of Omega and the Moonwatch celebrated through an exhibition at the KaDeWe center on the 40th anniversary of the first moon landing.

Highlighting the partnership between Rado and the Kunsthaus Deichtorhallen, press and retailers were invited to the avant-premiere of the Lillian Bassman & Paul Himmel exhibition. Following Union Glashütte's relaunch in 2008, the brand exceeded expectations in 2009. The positive sales figures in Germany were the trigger for a global roll-out. Tissot celebrated 10 years of tactile technology with the journalist event Tissot T-Touch Expedition in Berchtesgaden. In October, Swatch opened Germany's first store with the Ice Dunes merchandising concept in Frankfurt. Through its partnership with fun sport and art events Swatch was able to strengthen its image as a modern cult brand and consolidate its sales.

SWATCH GROUP **AUSTRIA (2)**

2009 saw Swatch Group Austria build upon and increase its already impressive market share. The Breguet boutique in Vienna again enjoyed a very successful year. The Tourbillon boutique in Kitzbühel raised the brand image still further. Glashütte Original organized exhibitions in hotels in Kitzbühel and launched its Senator Chronometer in Austria. For Omega, the year was marked by the 40th anniversary of the moon landing. In addition to special merchandising decoration, an exhibition on rare Speedmaster timepieces was held in the Tourbillon boutique. Longines had a good year and launched the new ladies collection PrimaLuna in the autumn. Rado presented its world premiere r5.5 in Vienna during Vienna Design Week. The designer Jasper Morrison, as well as international journalists and retailers, attended the launch. Union Glashütte raised its brand awareness and increased its customer base. Tissot had an outstanding year and was widely visible in November through its Austrian billboard campaign. ck watch & jewelry was the 2009 partner of the Elite Model Contest and Modelroadtrip. Certina raised its brand image and concentrated on special merchandising decoration and activities at its points of sale. The Swatch FIVB Beach Volleyball World Tour in Klagenfurt was the sporting highlight for Swatch. The brand also made a strong impression with the presentation to journalists and partners of its Fall Winter 09 collection. Finally, Flik Flak launched the Hello Kitty Collection at the Zoo in Schönbrunn.

(2)

(2)

(2)

(3)

(3)

(4)

SWATCH GROUP **BELGIUM (3)**

Successful brand events ensured that Swatch Group Belgium stood out from the competition and performed well in a difficult economic climate. Breguet was established as the leading prestige brand with connoisseurs favoring the Marine and Classique watches. Blancpain made its presence felt with enthusiastic consumers and retailers at a number of events. Omega hosted a launch of the Seamaster Aqua Terra collection to key retailers, and welcomed Tyson Gay in a VIP appearance at the Memorial Van Damme athletics meeting in Brussels. Longines enjoyed continued success with its Master Collection and the new developments to its sports line and the brand also hosted a VIP lounge at a Gala evening of *ELLE* magazine. Rado achieved good results with the Integral collection and the launch of the new Integral Chrono, reinforcing the brand's identity as a leader in design. Tissot continued to make good progress with four new shop-in-shops opening during the year. It was a busy year for Hamilton with an increase in its distribution. ck watch & jewelry concentrated on tailor-made window campaigns and the installation of shop-in-shops in Antwerp and Brussels. Certina roadshows strengthened the brand's partnership with Formula 1, and key retailers were invited to the BMW Sauber F1 Team-factory in Hinwil (Zurich). Balmain continued to improve thanks to the Elysées Chrono Lady collection. Swatch organized a series of events, including a Bollywood party celebrating the launch of the Manish Arora collection. The Brussels Gare du Midi, the most important rail station in Belgium, became "Swatch Station" for the launch of the Chrono Plastic Collection with a show by free-runners. Flik Flak confirmed its status as leader in children's watches, showing double-digit growth.

SWATCH GROUP **NETHERLANDS (4)**

Swatch Group Netherlands established a strong position within the Dutch market, largely due to successful management of its selective distribution network. In the prestige segment, Breguet, Blancpain and Omega developed close relationships with retail partners and media, participating in high profile exhibitions and brand events. Notably, the 40th anniversary of the moon landing was celebrated at the Tourbillon Store with an appearance by astronaut Thomas Stafford, who unveiled the platinum Omega Speedmaster Professional Moonwatch to guests. Partnerships highlighting key brand values included the highly respected Rado Young Design Award, the Longines Grand Prix at the CHIO Rotterdam, the MotoGP for Tissot in Assen and the Swatch FIVB Beach Volleyball World Tour. Hamilton created an integrated media concept around *Komt een vrouw bij de dokter (When a woman goes to see the doctor)* one of the most successful Dutch movie-productions of the year, whilst Balmain, Certina and ck watch & jewelry focused on improving brand visibility in retail stores.

SWATCH GROUP **LUXEMBURG**

In 2009 The Swatch Group Finance (Luxembourg) S.A. pursued its objective of managing the growing internationalization of Swatch Group's business. The company's purpose is to manage its liquid assets, investments and funds while following Swatch Group's financial policy and coordinating its activities with those of the parent company. Drawing on the advantages offered by Luxemburg as a financial center to take an active part in Swatch Group's financing operations, Swatch Group Finance (Luxembourg) functions as a legally autonomous entity. The importance of Luxemburg as a world financial center allows the company, domiciled in the center of Europe, to play an important role within Swatch Group's technical and financial structure. Based in Luxemburg, it is part of the global financial organization of The Swatch Group Ltd.

SWATCH GROUP **FRANCE (1)**

2009 was marked by a number of events organized by the brands of Swatch Group France.

The internationally renowned museum, Le Louvre, welcomed the exhibition "Breguet, An Apogee of European Watchmaking" from 24th June to 9th September. Its preview opening saw Breguet President Nicolas G. Hayek offer his guests a visit of the exhibition, followed by a dinner under the celebrated pyramid. Blancpain partnered with Lamborghini to create the "Lamborghini Blancpain Super Trofeo", as well as a limited edition chronograph. The final of this first Lamborghini championship took place on the Le Castellet race track in front of numerous journalists and customers invited by the brand. Omega celebrated its heritage by opening a museum in its Champs-Elysées boutique. Dedicated to temporary exhibitions, this new space – which offers the brand the possibility of Sunday opening – was inaugurated on the 40th anniversary of the Omega moon landing.

Longines reaffirmed its commitment to sport by serving for the third year as the Official Timekeeper of Roland-Garros. The brand also stood out this year through its humanitarian support by choosing the day of the Ladies Finals to promote the charitable activities of its ambassadors Andre Agassi and Stefanie Graf. At the end of the matches, organized between the two champions and selected children, Longines presented 80 000 dollars to the children's foundations of the two stars. Rado also achieved good media coverage by inviting journalists to a very design themed breakfast at the well-known Le Chiberta restaurant in Paris to discover its latest r5.5 model designed by Jasper Morrison.

Hamilton was represented at the Cannes Film Festival thanks to its presence in the film *Les Herbes Folles,* for which Alain Resnais received a special prize for his life's work. The brand's film product placement strategy is bearing fruit, since it is also beginning to enjoy a certain notoriety in this very closed circle in Europe. Tissot has not ceased since 2002 to reinforce its role as Official Timekeeper of the MotoGP and as such this year highlighted its famous T-Race 2009 Limited Edition. ck watch & jewelry commemorated the fifth anniversary of the launch of its jewelry at an evening event set to music by Thomas Dutronc, attended by a number of celebrities.

Swatch launched the Street Club at the cult Paris gallery of street art, Lazy Dog. This watch created by Grems and reserved for members of Swatch The Club was on display, together with other works by this artist, who is inspired by urban culture. Flik Flak also created a sensation with the launch of its first Hello Kitty collection, which was widely and spontaneously covered by journalists. Finally, to close the year and to celebrate Saint Nicholas' Day, Breguet, Blancpain, Omega and Swatch greeted customers and journalists at Place Vendôme, where they were offered a Christmas hot chocolate as they admired the Christmas lights, in association with the Comité Vendôme.

SWATCH GROUP **SPAIN (2)**

Swatch Group Spain had a positive year, despite a major drop in consumer confidence due to the difficult economic environment, and reinforced its leadership and increased market share through a consistent strategy and active marketing. For the first time, a combined event in Spain enabled journalists and retailers to appreciate a full overview of the enormous scope of Swatch Group activities throughout the world, and in Spain in particular.

Breguet confirmed its leadership role in the market with grand complication watches. Blancpain launched the new Super Trofeo watch in Barcelona in the presence of Marc Hayek. Omega organized a visit to Madrid of astronaut Gene Cernan, inaugurating an exhibition entitled "The first watch on the moon" in the capital's Omega boutique. Longines achieved excellent results with the launch of the new PrimaLuna collection at the end of the year.

Tissot hosted three important competitions of the MotoGP Championship in Spain in Valencia, Jerez and Barcelona. The presence of Certina's president, Adrian Bosshard, who came to introduce the new Certina collection to journalists, resulted in very good media exposure.

Swatch participated again this year in the Cibeles Madrid Fashion Week, this time with the added presence of Billy the Artist, giving rise to a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special happening for journalists and fashion lovers, with Billy doing a live decoration of the Swatch stand. Flik Flak also organized a special event for journalists' children with Hello Kitty.

SWATCH GROUP **ITALY (3)**

2009 saw Swatch Group Italy increase market share of all its brands.
Breguet hosted an exhibition dedicated to complicated and prestigious watches at a luxury hotel in Brescia. The first Super Trofeo Lamborghini Blancpain started from Italy and met with great success, with Blancpain presenting a preview of its limited edition Chrono Super Trofeo. Jaquet Droz continued to attract attention through its niche positioning. The Glashütte Original timepieces presented at Baselworld 2009 were greeted with enthusiasm by retailers and consumers, especially the new Senator Chronometer. Benefiting from the important initiatives relating to the 40th anniversary of the first moon landing and its role as Official Timekeeper of the FINA Swimming World Championships held in Rome, this year Omega strongly increased its brand visibility, backed up by successful launches of the new Seamaster Aqua Terra, the Seamaster Ploprof 1200M and the new Constellation.
2009 was marked for Longines by the launch of the Longines PrimaLuna collection. A travelling exhibition on "Elegance, Watchmaking Tradition and Sport" strengthened the brand's position as did its successful sponsoring of the 77th CSIO at the Piazza di Siena in Rome. Rado continued to increase its market share and brand awareness with its presence as one of the sponsors of the Salone del Mobile in Milan helping to spread the message of its design positioning combined with avant-garde materials and technology. Hamilton enjoyed a successful launch of its Ventura Elvis Anniversary collection, backed up by extensive advertising and retailer events. Tissot renewed its participation at the EICMA and hosted outdoor events in Milan, Turin, Varese and Padova to celebrate the 10th Anniversary of its Tactile Technology, as well as undertaking a number of other Tactile Roadshows in malls and airports across the country. The brand also appointed Margherita Granbassi, Winner of the 2006 World Fencing Championship, as its new brand ambassador. ck watch & jewelry consolidated its leadership position in the fashion segment, with the launch of new successful collections, supported by local point-of-sale events and an important training program. Swatch celebrated the CreArt Collection with a high-impact international event in Piazza San Marco in Venice with guest star Billy the Artist, who realized a giant panel live. Swatch was also partner of the Milan charity event Vogue Fashion Night Out. Finally, the Hello Kitty launch gave a strong push to all Flik Flak sales and heightened brand awareness.

SWATCH GROUP **UNITED KINGDOM (1)**

Swatch Group UK enjoyed an exceptional year, reporting strong double-digit growth, a significant increase in market share, and the securing of prime retail locations. Whilst all brands in the Group continued to outperform competitors, Omega and Tissot had an incredible year and their most successful to date. Britons returned to purchase at home, and tourists benefited from the low pound.

Breguet's history of royal and political patronage was highlighted through its association with Sir Winston Churchill, with guests visiting the Cabinet War Rooms in London able to view his Breguet pocket watch, on show to the public for the first time. Blancpain enjoyed success at the Super Trofeo at Silverstone, with a win for Marc Hayek. Glashütte Original continued its momentum, building close relationships with retailers. Events celebrating the 40th anniversary of the moon landing, the high profile European launch event for the Omega Constellation hosted by Cindy Crawford and attended by stars of sport, stage and screen, and the worldwide launch of the new Co-Axial advertising campaign with Cindy Crawford and George Clooney were just a few highlights in a busy year for Omega, contributing to the brand's overall success and significant market-share increase.

Longines was Official Timekeeper for the 41st Artistic Gymnastics World Championships in London and celebrated its seventh consecutive year as title partner for the Longines Royal International Horse Show. The brand continued its partnership with Royal Ascot, welcoming ambassador Aishwarya Rai Bachchan for the launch of the new ladies Master Collection. Rado retained consistent growth in key accounts and partnered with influential publications to demonstrate the design ethos of the brand. The ELLE Deco British Design Awards reached over 250 of the UK's creative elite at a glamorous awards ceremony in London.

As the brand of choice for consumers looking for excellent value, Tissot continued to raise its profile through high-level sports ambassadors: Michael Owen hosted private football training with media, whilst Nicky Hayden and Bradley Smith reinforced the brand's association with MotoGP. Hamilton continued to increase brand distribution, and Nicolas Ivanoff demonstrated the brand's aeronautical ties in an exciting private air show. ck watch & jewelry presented its 2010 collection to leading media and made an impact in central London "wrapping" windows at Selfridges. Swatch confirmed its status as an extreme sports brand through the X Fighters association, highlighting the relationship with key figures in the BMX world. A successful launch of Hello Kitty cemented Flik Flak's position as the UK's leading brand for children.

SWATCH GROUP **IRELAND (2)**

Swatch Group Ireland continued to strengthen and sustain a strong position across all brands, increasing market share within each price sector. Building upon its existing retail network the first Omega boutique was opened within the luxury hall of Brown Thomas department store on Dublin's Grafton Street. Longines was again the Official Timekeeper of the prestigious Royal Dublin Horse Show. Rado continued to build brand awareness through effective media promotion. Tissot maintained a strong market position, focusing on merchandising and a tactile roadshow to demonstrate and launch the Sea-Touch collection. Swatch and ck watch & jewelry concentrated on improving their distribution networks and joined forces in opening a multi-brand concession with a fashion-focused department store.


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SWATCH GROUP **NORDIC (3)**

Denmark Thanks to its close working relationship with retailers and high-profile events across all brands in 2009, Swatch Group Nordic Denmark continued to gain market share and retain its strong position and share of voice. Local events were particularly successful for Rado, Certina and ck watch & jewelry. Important highlights of the year included the Omega Speedmaster moon landing 40th anniversary celebration and the launch of the Tissot Sea-Touch. On the sports front, at the Longines World Cup Archery final in Copenhagen, world record holder Martin Damsbo provided special training for VIP Longines media guests within the magnificent surroundings of Queen Castle Rosenborg.

Finland Within a challenging economy, Swatch Group Nordic Finland continued to gain market share. Successful product launches included the Omega Constellation, Rado's new Integral and Sintra lines, the Tissot Couturier, PRC 200 Automatic and V8, and the Flik Flak Hello Kitty collection. A number of sports-related events also helped to increase brand awareness. Longines was the Official Timekeeper of the FIS Alpine Ski World Cup in Levi, and Certina's partnership with Formula 1 helped the brand stay at number one in the sports watch segment. Swatch was also present again at the World Beach Volleyball tournament.

Norway It was a successful and eventful year for Swatch Group Nordic Norway both in terms of sales and brand exposure. Omega is a long-term sponsor of a distinguished award given each year to the person who has done the most to promote the town of Oslo. This year the prize went to Geir Lunsdestad, Director of the Nobel Institute, raising still further the brand's image in Norway. Longines' Norwegian Ambassador Axel Lund Svindal again became the slalom/downhill ski world champion after a close competition decided only at the last race in Åre. Rado presented novelties at a media and VIP event held at the Grand Hotel in Oslo, with the r5.5 especially well received by the press. Excellent media coverage came from the press presentation for the launch of the Tissot Sea-Touch. ck watch & jewelry presented the new ck fly collection. Swatch invited ProTeam members on an exclusive boat trip on the fjords and the Swatch FIVB Beach Volleyball World Tour held in Stavanger was praised for its success by the Beach Volley Federation.

Sweden Despite the prevailing recession, Swatch Group Nordic Sweden had one of its most successful years to date. All segments continued to grow, increasing in both sales and average price. A Swedish victory at the Omega European Masters golf tournament and the happy coincidence of Swedish astronaut, Christer Fuglesang, going into space at the same time as the celebration of the 40th anniversary of the first moon landing, increased attention for Omega. Longines had a successful launch with the PrimaLuna, and Rado continued to stay ahead with its new collection from Jasper Morrison. Certina focused on shop-in-shop installations and successfully promoted its collaboration with the BMW Sauber F1 Team. The 10th anniversary of the T-Touch and the launches of the Couturier, V8, Veloci-T and Glam Sport timepieces all contributed to a good year for Tissot. ck watch & jewelry enjoyed a great performance with all time high sales for the year, confirming, with Swatch, its leading position in the fashion segment.

SWATCH GROUP **GREECE (1)**

2009 was a very significant year for Swatch Group Greece which maintained its solid position in the market, achieving new openings for several brands and keeping up a high level of activities to support the retail network and promote new product launches to the final consumer, as well as investing heavily in training of retail staff.

Omega opened its first corner in Crete, held two glamorous events to launch the new Aqua Terra and Constellation collections, and, through the Seamaster PloProf 1200M, received excellent media coverage, maintaining the brand's popularity among watch collectors. Glashütte Original sustained its good sales performance level and launched its Meissen collection at a prestigious event at the Mykonos Tourbillon Boutique.

Longines organized a successful media event for the launch of the PrimaLuna collection. Rado improved its brand awareness, with two new Duty Free points of sale, and the roll-out of its new Groove merchandising concept.

Tissot undertook a number of promotional Duty Free activities and expanded its retail network to cover the majority of Greece's main cities. ck watch & jewelry enhanced its distribution retail network with forty new shop-in-shops and underlined its fashion image with a private press dinner at the sophisticated Cavo Tagoo on Mykonos island. Hamilton also increased the number of its shop-in-shops around Greece and Cyprus and successfully launched three new collections.

Swatch expanded its retail network by adding fourteen new shop-in-shops and one new corporate store and actively promoted its sports and fashion image through participation in Athens Fashion Week, hosting of the Swatch-MTV Playground event in Athens and sponsorship of the Greek Beach Volley National Tournament.

SWATCH GROUP **POLAND (2)**

Swatch Group Poland ended 2009 with a move to larger offices, enhancing customer service capacities, an increase in watchmakers having been necessitated by the continued strong growth of sales in the Polish market. Although 2009 was not without its challenges, consumer spending remained buoyant in Poland, particularly in the first half of the year.

For Omega, President John F. Kennedy's "We choose to go to the moon" campaign was well received by the Polish market for the 40th anniversary of the Moonwatch, leading to record sales of the Speedmaster line.

Longines inaugurated cooperation with the Polish tennis star Agnieszka Radwanska during the French Open at Roland-Garros and enjoyed a successful year-end launch of its PrimaLuna line. As part of a worldwide initiative, Rado sponsored the Lodz Design Festival in October.

Tissot was the Official Timekeeper of the Eurobasket Championships in Poland in September, with Marcin Gortat, Poland's first and only NBA professional, joining the Tissot family of Worldwide Ambassadors. The T-Touch Expert was extremely well received by consumers in Poland. ck watch & jewelry also flourished as the product range struck a very positive chord with the Polish consumer. Certina sales grew rapidly as Polish Formula 1 fans remained loyal to Robert Kubica in his final year with BMW Sauber F1 Team.

Swatch and Flik Flak continued their success with double-digit growth and added corporate stores in Lodz and Krakow.

SWATCH GROUP **RUSSIA (3)**

The double-digit growth of Swatch Group Russia in 2009, in particular for luxury and prestige brands, is proof of the great potential of the Russian market and the progress made by this Swatch Group subsidiary, since it first opened three years ago. 2009 also marked a commercial push on the lesser known brands in the region, notably Union Glasshütte, Certina, Hamilton and Balmain, which all enjoyed a successful year.

Retail focus remained the opening of monobrand stores, which continued to promote the image and awareness of the different Swatch Group brands, perpetuating their popularity despite an unstable economy, general drop in purchase power for the end consumer and subsequent drop in overall luxury sales in the country. Of particular note were the boutique openings for Breguet, Blancpain and Omega in Russia's third most economically important city, Yekaterinburg, for Longines and Rado in Saint-Petersburg and for Swatch in Saint-Petersburg and Kaliningrad, ensuring that sales for all these brands surpassed expectations. The brands' positioning was also consolidated in towns to the south of the country, notably in Rostov-on-Don and Krasnodar, as well as to the east in Vladisvostok, Khabarovsk and Irkoutsk.

In addition to these retail initiatives, Swatch Group Russia also held a number of high profile events which further consolidated the brands' leading position in the market. Highlights of 2009 included, for the luxury brands, a gala evening for Jaquet Droz in the galleries of the Petrovsky Passage in Moscow and two Omega golf championships at Nakhabino Golf Club and City Golf. Longines and Rado held events around their Russian film star ambassadors, Oleg Menshikov and Renata Litvinova, in Moscow and Saint Petersburg. Tissot promoted its sports image with a star hockey match on Red Square in Moscow and Swatch continued to make a name for itself by sponsoring the final of the FIS Snowbord World Cup in Moscow, and that of the Elbrous Summer Camp in the mountains, as well as the Swatch FIVB Grand Slam.

Finally, the new customer service center was opened in the heart of Moscow, providing space for additional watchmakers and ensuring a centralized supply of spare-parts across the country.

SWATCH GROUP **CANADA (1)**

In Spring 2009 Swatch Group Canada decided to bring Baselworld to Canada, thus starting a record year on the right track. Breguet, Blancpain, Glashütte Original and Jaquet Droz continued their successful selective distribution strategy in the market. Omega had another outstanding year of double-digit growth with excitement felt throughout the year over its forthcoming involvement as Official Timekeeper of the Vancouver 2010 Olympic Winter Games, December marking the official opening of the Omega Olympic Games Boutique at the Fairmont Hotel in Vancouver. Longines solidified its market presence through product launches, including novelties in La Grande Classique and DolceVita, the new Conquest quartz in the sports segment and the best selling Master Collection Retrograde. Rado continued to elevate its distribution by opening a new top luxury retailer account in select locations, thus reaffirming its position within the design community and its reputation as one of the top design brands in Canada. Tissot strengthened its marketing position, using roadshows as a key strategy to engage with the end consumer and to support its association with Danica Patrick at the Toronto IndyCar race and the hockey player Steven Stamkos in Toronto. ck watch & jewelry maintained its strong fashion brand profile, mainly with its star product, the ck fly collection. Hamilton had another record year with an impressive increase in sales and successful re-introduction in the Duty Free market. Swatch partnered with Hudson Bay in their Olympic Superstore in Vancouver to open a Swatch shop-in-shop that featured the three 2010 Olympic watches along with a selection of vintage Olympic pieces.

SWATCH GROUP **BRAZIL (2)**

2009 was a year of consolidation for Tissot in Brazil as the brand reinforced its distribution in the region. In particular, the roll-out of its shop-in-shop merchandising concept in the country's most important cities helped to enhance the brand's position and heighten its image in the mind of consumers. An important training program on Tissot tactile technology was implemented across the widespread network of after-sales service centers, leading to a noticeable increase in customer satisfaction. Mido continued to progress, building upon its excellent performance in 2008. The brand increased its presence with a number of new points of sales in both the northern and southern parts of the country, leading to a further rise in market share. The brand's position was further enhanced by the launch of the Multifort and Ocean Star Sport Chronograph.

SWATCH GROUP **UNITED STATES (3)**

Despite the economic downturn, the Swatch Group US gained market share in most segments by concentrating on ensuring the right distribution, marketing, media events and retail expansions.

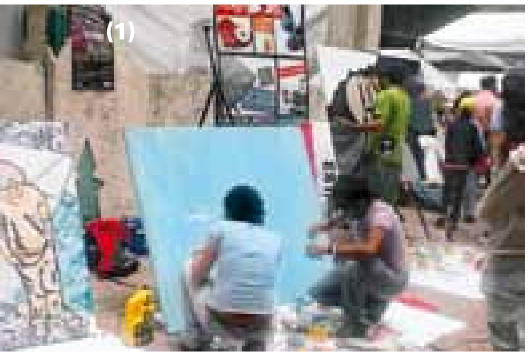
Breguet focused on its impressive history through two exclusive events, where its most famous creation, the Pocket watch No. 1160, was displayed for public viewing for the first time in the US. Blancpain commemorated the creation of the Limited Edition Super Trofeo Flyback Chronograph with a high profile event at its boutique on Madison Avenue, as well as numerous other events and press interviews throughout the country. Glashütte Original launched the Senator Chronometer. This first officially certified timepiece had viewers astonished by the innovative design, precise timing, and classic look. 2009 was an eventful year for Jaquet Droz with the launch of a special exhibition series showcasing one-of-a-kind stone dials, the first annual Jaquet Droz Prize awarded to a top design student and the sale of the Benjamin Franklin Automaton to a collector. Omega pursued its expansion by the opening of its flagship boutique on Fifth Avenue in New York in the presence of its Ambassador Michael Phelps. Other visitors included Buzz Aldrin, Sergio Garcia and Nicole Kidman – all of whom donated their personal Omega timepieces for display.

Longines celebrated its association with tennis and brand Ambassadors Andre Agassi and Stefanie Graf throughout the country including an event in New York's historic Grand Central Station where an interactive tennis arena was built. Continuing its commitment to design, Rado sponsored various exhibitions during Design Week in New York. This also marked the launch of radostar.com and an e-commerce site in the US.

As Official Timekeeper of NASCAR, Tissot expanded its outreach with its fans via the new Tissot Pit Road Precision Award. Danica Patrick stepped up her partnership with the brand on her Tissot sponsored Twitter page which complemented well the brands' digital marketing strategy. ck watch & jewelry opened new points of distribution in the South East and Caribbean markets. Hamilton's focus was to improve visibility and gain space at retail level. Eye-catching visuals of Harrison Ford and of aviation, together with outstanding product shots of Hamilton timepieces, were key to a successful nationwide presence. Mido continued to cater to its Latin American consumer, notably in Florida and Puerto Rico.

The newly remodeled Swatch Times Square Flagship Boutique was unveiled in front of numerous celebrities and TV cameras. This marked a major kick off for the roll out of the Ice Dunes retail concept in the US. Flik Flak welcomed Hello Kitty into its family of licenses.

Last but not least, Tourbillon continued its expansion in the US with the addition of two new boutiques on Wall Street in New York and in the Las Vegas City Center mall, showcasing many high-end events.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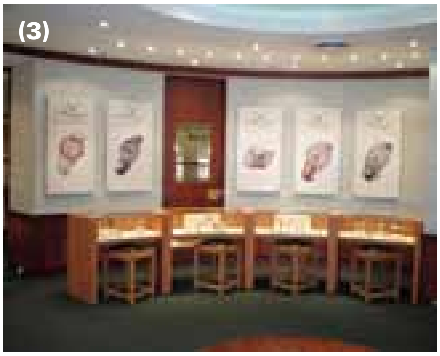
SWATCH GROUP **MEXICO (1)**

Despite the challenging economic situation, the health crisis of mid-April and an aggressive competitive environment, Swatch Group Mexico's brands succeeded in strengthening their leadership and increasing their market share. Breguet focused on presentations to watch collectors, including its participation in the Salon of High Watchmaking. Omega had a very dynamic year with continuous press conferences, the launch event for its new fragrance Aqua Terra, Eau de Toilette pour Homme and the co-sponsoring of a fundraiser for the presentation of the new Constellation to the "400 most influential people in Mexico". At its boutique, promotional activities attracted new Omega fans through the Collector's Club project. Longines granted the traditional Elegance is an Attitude Award this year to Mr. Javier López del Bosque, a renowned citizen of Saltillo, Coahuila. Rado changed its image at the point of sale and surprised the public with giant advertising on buildings, covering more than 2000 square meters in Mexico City. Tissot concentrated on enhancing its brand image at the point of sale with several "Safe" shop-in-shop concepts. ck watch & jewelry focused on powerful marketing initiatives and strategic positioning in the market, resulting in a rapid increase in business volume. Mido, being a brand deeply embedded in Mexican culture, celebrated the Bicentennial Anniversary of Independence with the beautiful Kukulkan limited edition of 200 pieces. Swatch sponsored the National Surf Championship and contributed to the worldwide campaign CreArt, with more than 150 masterpieces by Mexican artists.

SWATCH GROUP **PANAMA (2)**

Despite the uncertain financial situation, results in the region remained relatively stable in 2009 thanks to excellent brand awareness. Breguet expanded its retail network and participated in several VIP events for collectors. Blancpain's 500 Fathoms GMT won the prize of best Sports Watch at the annual watch fair, Salon Internacional de Alta Relojería, in Mexico. Glashütte Original and Tiffany & Co. started their first activities in the region. Omega celebrated the 40th Anniversary of the moon landing at its Panama City boutique. Rado participated in Brazil's design event TOP 100 Kaza 2009 with an exhibition of its latest collection. Longines sponsored a number of sports events and strengthened its partnership with Latin American tennis players through participation at the Prime Alberto de Sao Paulo and the Longines Pro-Am tennis tournament. Tissot took part in the reputed Peru and Colombia Moda fashion events, with Ambassador Deepika Padukone visiting Peru Moda as a special guest. ck watch & jewelry finalized its opening process in the Calvin Klein Jeans boutiques in the region as part of its expansion strategy. Certina took important steps towards consolidating its presence in the region by opening its distribution in the Brazilian market, while Mido continued its steady growth in the region, celebrating in 2009 the 50th Anniversary of its famous Commander Collection. Swatch increased the number of its monobrand stores, introduced with success the new Irony Chrono Automatic and again sponsored the Swatch FIVB Beach Volleyball World Tour in Brazil.



SWATCH GROUP **AUSTRALIA (3)**

Swatch Group Australia enjoyed exceptional sales growth in 2009, defying global economic conditions. Most brands increased market share, which was largely achieved through innovative marketing programs, promotional campaigns for specific distribution channels, comprehensive display initiatives at point-of-sale, a strong commitment to service and brand training, and improving overall product management and logistics efficiencies.

Breguet's particular focus was on increasing brand awareness and pedagogical promotion of the technical aspects of the brand, through high level VIP client cocktail events both in Australia and New Zealand. Omega achieved its strongest sales year yet and opened its second boutique in Australia in the new luxury precinct at Chadstone Shopping Centre, Melbourne. A major marketing campaign celebrating the 40th anniversary of the moon landing resulted in strong sales for Speedmaster. The new Aqua Terra collection was revealed on a luxury yacht in Sydney Harbour and a further event in Sydney launched the Constellation 2009 collection in a sea of cherry blossom.

Longines again achieved another strong sales year and further reinforced its brand presence locally through the launch of the Master Collection Retrograde and ladies PrimaLuna collection, both supported by strong advertising and editorial campaigns. Longines also celebrated its 9th year as "Official Watch" sponsor of the 2009 Melbourne Cup Carnival, with PrimaLuna as official watch.

2009 was also a strong year for Rado in terms of brand awareness and sales, particularly in the higher priced models, with the key new product launches of the True Chronograph and Ceramica Gold and the new Integral range gaining momentum at retail. The brand hosted a high profile event in Sydney with magazine *InDesign,* attended by over three hundred influential members of the interior design community.

Tissot achieved an exceptional sales year, with successful launches of Couturier and Sea-Touch, a strong visual merchandising campaign and strong communication on its association with the Australian Football League, and its role as Official Timekeeper of the Australian MotoGP – this year won again by Australian champion rider, Casey Stoner – ensuring excellent television presence. ck watch & jewelry firmly established its position as the market's leading fashion watch and jewelry brand, with an extensive re-alignment of distribution to improve its brand position and offer in stores, further enhanced by an extensive expansion of its shop-in-shop program.

Finally, 2009 was a year of consolidation for Swatch, with a comprehensive focus dedicated to efficient product roll-outs creating strong impact at a retail level. The launch of the Swatch Chrono Automatic was a key product sales highlight and the brand's sponsorship of the UCI BMX World Championships held in Adelaide attracted strong national media coverage.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SWATCH GROUP **SOUTH KOREA (1)**

In the Land of the Morning Calm, Swatch Group made outstanding progress. In fact Swatch Group South Korea enjoyed record sales for all its brands with an increase across the board in brand awareness.

Breguet opened a boutique in the Galleria Department store in Seoul and, thanks to the opening of an "Equation du temps" boutique, is now present in Busan; the brand also hosted a watch and jewelry exhibition. Blancpain steadily increased sales, especially in the duty free market. Jaquet Droz continues to grow its sophisticated brand image, appealing particularly to editors and stylists. Omega again enjoyed record sales, driven by the expansion of its retail network, upgrading of its brand image at the point of sale and strong marketing activity.

Longines' tremendous growth made 2009 its most successful year ever. Rado's new brand positioning and stronger sales network led to a remarkable sales increase. Tissot held roadshows in major shop-in-shops and duty free stores throughout the year, leading to increased brand recognition. ck watch & jewelry continued to increase both sales and market share opening ten new shop-in-shops, and consolidated its leadership position in its segment, building on its brand awareness notably through celebrity sponsorship and partnership of the PIFF (Pusan International Film Festival) at Busan. Swatch underlined its relationship with art through a "Playground" event, where ten local street artists gathered and competed in a series of art battles.

SWATCH GROUP **HONG KONG (2)**

Swatch Group Hong Kong continued its growth in 2009 by focusing on its long-term strategy of retail development, close partnership with retail partners and emotional promotional events.

Breguet was the title sponsor of the First Hong Kong International Chamber Music Festival, supported also by the Hong Kong Government, with festival performers also animating the gala dinner held to celebrate the opening of Breguet's first Hong Kong boutique. Blancpain opened its third boutique in the region and launched its L-evolution collection. Glashütte Original continued to be the Official Watch Partner of ART HK 09 and presented rare timepieces from the German Watch Museum Glashütte as well as Baselworld 2009 novelties. The new Glashütte Original boutique was inaugurated by Frank Burbach, Consul General of Germany and film star Eva Huang Sheng Yi, followed by a launch party for the Senator Chronometer. The new Tiffany & Co. watches were also launched in December 2009 in Tiffany Boutiques. In celebration of the 40th Anniversary of the moon landing and the Omega Speedmaster Moonwatch, Omega invited its ambassador Buzz Aldrin, the second man to walk on the Moon, to participate in the opening of the "Beyond Time" exhibition in the Hong Kong Space Museum. Longines ambassador Aaron Kwok promoted the launch of the Longines Master Collection Retrograde, Taiwanese actress ambassador Chi Ling Lin inaugurated the third Longines boutique and November saw the grand opening of the brand's first corporate store. Rado's passion for innovation was revealed at the "Rado Spark in Design Competition and Exhibition" in collaboration with students from the Hong Kong Design Institute. The event also emphasized the ties between "creativity" and "love of others" by supporting the charity HOPE Education Foundation Limited.

Tissot was the Official Timekeeper of the 5th East Asian Games in Hong Kong. The world's first touch-screen watch for divers, Sea-Touch, was presented at an event in conjunction with the debut of the BBC educational documentary "Oceans". Tissot opened its first Hong Kong flagship store at Tsim Sha Tsui in the presence of brand ambassador Barbie Xu. ck watch & jewelry achieved good results through expansion of its wholesale network and continuous sales growth in boutiques and shop-in-shops. The roadshow at LCX TST presented the latest collections and enhanced brand awareness during the summer peak season. Hamilton expanded and upgraded its distribution to higher-end points of sale and enhanced its brand presence through billboard promotion at Times Square of its Khaki X-Wind series and the latest model Ventura XXL Elvis Anniversary collection. Certina was launched as the new "sporty" brand and began its wholesale distribution. Mido enjoyed significant growth and continued to extend its distribution network. Bus advertising launched the new image of its Multifort collection.

Swatch expanded its retail distribution to 22 stores, including its first outlet store at Citygate, held a successful 14-day exhibition in Festival Walk for the Swatch Artist Collection and organized a media and VIP preview presentation of its new Manish Arora collection.

SWATCH GROUP **CHINA (1)**

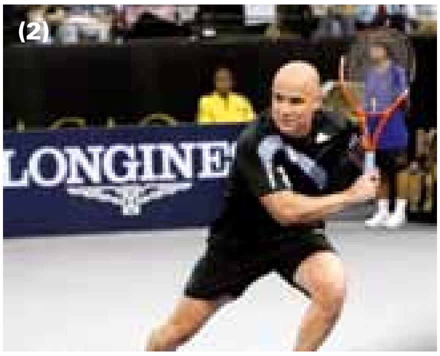
Swatch Group China enjoyed positive growth for all its brands throughout 2009, with special accent placed on strengthening distribution, capitalizing on marketing investment, and introducing a new customer hotline to build customer loyalty. The highlight of the year was the metamorphosis of the Peace Hotel South Building in Shanghai, whose facade was lit up in time for the Chinese National Day, restored to its former glory after 100 years. The Swatch Art Peace Hotel is expected to be operational in time for Expo 2010, with the boutiques set to open in May and the grand inauguration of the hotel itself to take place later in the summer.

Breguet continued to upgrade its image in its stores in eighteen cities, ensuring its leadership position in the prestige segment. Blancpain enjoyed increased sales, with an exhibition and roadshow to launch the Dragon Carrousel Limited Edition in nine major cities. Glashütte Original opened its first corporate flagship store at the Beijing Oriental Plaza. Jaquet Droz maintained its stable development, reinforcing business of existing points of sale, and promoting the brand through high profile events, including a charity auction in Dalian, and presenting its limited editions to VIPs in Shanghai Urban Cradle. Omega continued to increase its market share and leadership position, with the highlight of the year, the Constellation 2009 launch event in Shanghai's legendary Concert Hall, in the presence of its ambassador Zhang Ziyi.

Longines concentrated its communication on the three axes of elegance, sport and tradition. A gala media party celebrated the innate elegance of Longines ambassador model-actress, Chi Ling Lin in March, and October saw the transformation of the heritage area of Beijing's Ch'ien Men 23 into a 1001 Nights backdrop for the launch of the PrimaLuna. A national recruitment was made for two children to play tennis with famous Longines ambassadors Andre Agassi and Stefanie Graf at Roland-Garros and, since Longines has been present in China since 1867, a campaign for the search for the oldest Longines in the country was launched. Rado based its efforts on building on design as the platform for communication. As a main partner of 100% Design Shanghai, the brand sponsored the inaugural competition of Design in China: The Rado Young Design Prize. An event was also held at the Shanghai Sculpture Space in October, for the official launch of the Rado r5.5.

Tissot continued to expand its network to cover over 190 cities. Besides being Official Sponsor of the China Basketball Association, Tissot became the Official Timekeeper for the Asian Basketball Championships in Tianjin. The brand also signed two new ambassadors: Zhong Man, 2008 Beijing Olympics Champion and well-known Chinese actor, Huang Xiaoming. ck watch & jewelry continued to enlarge its market share in the fashion watch and jewelry segment and promoted its new ck fly concept with a roadshow at the Grand Gateway Shanghai. Hamilton again enjoyed rapid growth and spotlighted its "star" watches, notably the Elvis New Ventura watch, in an up-scale event at the Shanghai Huashi Plaza. Certina's second consecutive full year in China was marked by expanding its market share and emphasizing the sporty nature of the brand. The week before the Shanghai F1 GP, a grand event with brand ambassador Robert Kubica at the Shanghai Huashi Plaza introduced the BMW Sauber F1 Team marketing promotion. Mido continued to grow rapidly and launched its Belluna at Chengdu Hengdeli Watch Store, gaining excellent media exposure through the presence of celebrities Lin Baoyi and Yu Mingjia. 2009 was the first year for Balmain in China. The collections of Arcade Lady and Miss Balmain RC were widely accepted by consumers and events in Hangzhou and Shanghai were graced by the presence of Balmain's ambassador Miss Switzerland 2008.

As of January, Swatch changed its distribution channel from wholesalers to retailers and expanded its distribution whilst developing sales in its existing network. In addition, a succession of launches and events ensured that Swatch kept a high profile in consumers' minds.



SWATCH GROUP **MACAO (2)**

Swatch Group Macao sales continued to grow strongly in 2009, the second full year of operations for this young subsidiary.

A five-month roadshow at the Paiza Club, the VIP lounge of the casino at The Venetian, brought great impact to brand awareness and sales for Jaquet Droz. To celebrate the success of Longines' largest boutique worldwide at Macao City of Dreams, a grand opening ceremony was organized in October, coinciding with a Tennis Showdown, where Longines ambassador Andre Agassi played against Pete Sampras and for which Longines was one of the title sponsors. Longines also opened its first corporate boutique at The Venetian in December. A two-month window exhibition inside the mall at The Grand Canal Shoppes in The Venetian Macao Resort Hotel, enhanced Rado's image and led to increased sales. Certina started its first activities in Macao as the new "sporty" brand in the region.

Swatch expanded its presence in Macao by opening a new flagship store at Largo De S. Domingos, its new Ice Dunes retail concept enhancing foot-traffic to the store.

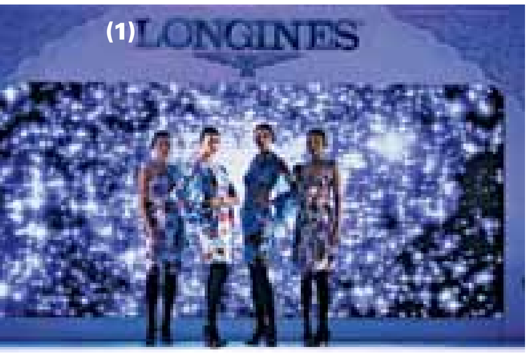
SWATCH GROUP **TAIWAN (3)**

Swatch Group Taiwan concentrated its efforts in 2009 on reinforcing the image of its brands and developing distribution.

Breguet opened its first boutique in the Great China region in the Grand Formosa Regent Hotel, Taipei, where it also hosted an exhibition of its watches. Blancpain participated in the Vogue Fashion's Night Out hosted by SOGO department store and presented its Super Trofeo timepiece. Glashütte Original opened its first shop-in-shop in Taipei 101, exhibiting antique pieces from its watch museum. Jaquet Droz presented its special 12-City Taiwan Edition at the Taipei 101 Mall. Omega opened three boutiques and launched its Aqua Terra collection at a prestigious seaside venue in the presence of local celebrities. Longines opened a number of franchised boutiques, and launched its PrimaLuna at a themed "1001 Nights" event in the presence of brand ambassador Chi Ling Lin. At the anniversary celebration of Hanshin Arena shopping mall, Rado held a jewelry watch exhibition inaugurated by local celebrity Alice demonstrating the Ceramica Pave. Rado also installed its first shop-in-shop at Taoyuan International Airport.

Tissot opened seven new "kiosks" in Taiwan and benefited from the media exposure of its brand ambassador Barbie Xu and its timekeeping of the 8th World Games in Kaohsiung. Hamilton celebrated the 75th anniversary of Elvis Presley's birth by launching its limited edition timepiece. ck watch & jewelry enjoyed excellent growth, with a number of shop-in-shop openings, and the inauguration of its second flagship store in Asia, in Taipei 101, in the presence of local Taiwanese star Ethan Ruan. Mido opened additional points of sale and held a launch event for the Baroncelli GMT Taipei Limited and Baroncelli Big Lady.

Swatch underlined its fashion positioning and increased brand awareness with the launch of its Manish Arora Collection, creating a Maxi Watch with various fashion designers and college students for an island-wide exhibition. The first Ice Dunes concept store in Taiwan also gave rise to a sharp increase in sales. 2009 was also a great year for Flik Flak with time education promotional events with TC bank giving excellent media coverage, followed by a successful Hello Kitty launch.



SWATCH GROUP **INDIA (1)**

Swatch Group India managed to strengthen its position in an economically challenging environment thanks to aggressive marketing activities and a series of PR events that helped increase the aspirational image of its brands.

Breguet organized private previews of its "Tradition" and jewelry masterpieces for high profile customers in New Delhi, Chennai, Mumbai and Bangalore. Blancpain was featured in leading lifestyle magazines throughout the year. Jaquet Droz showcased its special timepieces through key media and customer events in New Delhi and Chennai. Omega opened an exclusive boutique in the high-end UB City Mall in Bangalore and launched the Seamaster Ploprof 1200M in the same city in the presence of brand ambassador Abhishek Bachchan. Omega was also Official Timekeeper of the Indian Open Golf Tournament.

Brand ambassador Aishwarya Rai Bachchan promoted Longines at the opening of three new shop-in-shops in Hyderabad and Jaipur, as well as for the launch of the Master Collection Retrograde at a press conference in Mumbai, and the PrimaLuna line at a fashion presentation in New Delhi with leading Indian designers Gauri and Nainika Karan. Longines also acted as Official Timekeeper for the Badminton World Championships. Rado opened four boutiques in Mumbai, Ahmedabad, Kochi and Gurgaon in the presence of brand ambassador Lisa Ray. The Carnet collection was showcased at an After Hours Party at Bangalore Fashion Week and exhibited in Rado boutiques in Kolkata, Mumbai, Bangalore and Ahmedabad.

Tissot launched its T-Touch Expert in Mumbai with brand ambassador Deepika Padukone, who also inaugurated Tissot boutiques in Hyderabad and New Delhi. Moreover, Tissot sponsored the NDTV Techlife awards and became the time partner for a Rolling Stones tribute to Led Zeppelin at the Hard Rock Cafés in New Delhi and Bangalore. Balmain increased its number of points of sale and opened fifteen new shop-in-shops, promoting its activities in a series of roadshows. ck watch & jewelry concentrated on establishing its fashion image and setting up its retail network in this new market. Hamilton had product placements in two Indian movies in 2009 – *Saas Bahu aur Sensex and Love Aaj Kal* and associated itself with the high profile and glamorous Kingfisher Calendar 2009.

In addition to opening an exclusive boutique in Mumbai, Swatch introduced twelve shop-in-shops across the country, with special promotional focus on the Valentine's CreArt and Swatch Manish Arora collection.

SWATCH GROUP **MALAYSIA (2)**

Thanks to the Swatch Group brands' strong positioning in the country, Swatch Group Malaysia managed to increase its market share and register robust growth in 2009. Long-term marketing investments in brand building, including the opening of monobrand boutiques, kiosks and large shop-in-shops over the past years greatly contributed to the brands' ability to outperform their competitors in the different price segments.

On the retail front, Union Glashütte made its debut in Asia in 2009 with the opening of two strategic points of sale in Kuala Lumpur and Penang and both Swatch and Tissot added two new dazzling monobrand stores to their existing network of boutiques. During the year, Omega and Rado successfully held exclusive consumer events and media-focused product launches in their respective boutiques in luxury shopping center, Starhill Gallery. Whereas on the concourse of the busiest shopping complex in the country, the Petronas Twin Towers, Longines and Certina organized two major crowd-pulling events with the presence of their respective brand ambassadors, Taiwanese actress Chi Ling Lin and Formula 1 driver Robert Kubica. Finally, Mido hosted its first major retailers' conference in the country in conjunction with the 75th anniversary of the Multifort collection.

SWATCH GROUP **SINGAPORE (3)**

Despite the challenges, Swatch Group Singapore managed to strengthen the positioning of its brands in 2009, by focusing on retail expansion and qualitative marketing campaigns and media events.

An evening of music in the presence of former Senior Minister Goh Chok Tong, and 180 Breguet watch owners, together with media representatives, inaugurated Breguet's partnership with the Singapore Symphony Orchestra, affirming the brand's dedication towards supporting and promoting local art and culture. Glashütte Original unveiled its Baselworld novelties and the limited edition Meissen Nine Dragons collection to an exclusive group of watch aficionados during an oriental dinner. Omega opened its first flagship boutique in Singapore's newest luxury shopping center, ION Orchard, in July, followed by a grand opening event in October in the presence of Omega's international movie star ambassador Zhang Ziyi. Good media coverage was gained for Longines when young Angela Lim represented Singapore and partnered Longines ambassador Andre Agassi at the brand's charity event during Roland-Garros. Rado successfully reinforced its design image with its award winning Rado True Chronograph Matt at the Singapore Red Dot Design Museum. In celebration of Tissot's Tactile 10th Year Anniversary, a roadshow was organized in the busy Vivo City Mall, resulting in excellent sales. An interactive Swatch Arts Museum tour for media and retail guests marked the launch of the CreArt Collection.

SWATCH GROUP **THAILAND (4)**

In a very challenging environment, Swatch Group Thailand managed to strengthen its leadership position in all segments by focusing on direct operations with end consumers and on developing the market further outside of Bangkok. For the first time Swatch Group Thailand organized a Mini Basel event in the luxury hotel Le Bua State Tower in Bangkok for five consecutive days, with the main focus on developing the positioning of the high and middle range brands. The event was well supported by large-scale press coverage.

Breguet celebrated "Timeless Femininity" with a prestigious exhibition of Reine de Naples High Jewelry pieces and live sea shell carving for the Camea model, followed by a high society gala dinner. Omega celebrated the 40th anniversary moon landing with selected Omega Passion club members and guests who had purchased the Moonwatch limited edition.

Longines visibility and association with sport was heightened through its becoming Official Partner and Timekeeper of the PTT Thailand Open in September. Rado held a workshop followed by a major launch event of the True Automatic, emphasizing the design aspect of the brand and specific qualities of hi-tech ceramic to the press through the vision of two famous stylists and a fashion show at the Siam Paragon shopping mall.

Swatch organized a new Fall Winter 2009 collection party at Siam Center in the presence of a number of well-known models and celebrities, drawing much media attention.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SWATCH GROUP **JAPAN (1)**

Although 2009 was a difficult year for the Land of the Rising Sun, Swatch Group Japan nevertheless celebrated successfully the 2nd anniversary of the Nicolas G. Hayek Center, with its Avenue du Temps on the grand floor decorated with white Hydrangeas and the media space of its impressive facade used to promote the seven brands present within the building. In October a multibrand event was also held to present the autumn collections of the high-end and middle range brands.

Breguet reinforced its prestigious image in Japan through a number of high-profile events, in particular a two-week exhibition of the Marie-Antoinette watch at the Cité du Temps in Tokyo. Blancpain focused on the "water world", with an exhibition of the full collection of its Fifty Fathoms diver's watch, also highlighting its association with the Cannes and Monaco Yacht shows. Glashütte Original was exhibited at the World Watch Fair at Tobu Ikebukuro department store, where its Senator Sixties Square Chronograph attracted particular attention. In a focus on end-users, Jaquet Droz organized a number of dinner presentations and participated in a luxury press event for male brands, Masculinity 2009. Omega held a press conference for the official launch of the 40th Anniversary of the moon landing, in the presence of astronaut Buzz Aldrin and NASA engineer James Ragan, for the inauguration of an exhibition at the Nicolas G. Hayek Center, visited by over 3000 people.

Longines confirmed its commitment to the world of sport by becoming Official Timekeeper of the Rakuten Japan Open Tennis Championships – the oldest ATP World Tour tournament in Asia. Rado underlined its design focus with the launch of the r5.5 in the presence of its creator Jasper Morrison. Tissot organized a press tour around the Moto GP Japan Grand Prix Final in April. ck watch & jewelry held its 3rd Pre-Basel Asian Press Presentation at the Cité du Temps and introduced its fall collection at the art gallery of the Museum at Tamada Projects. To celebrate its new Ventura Collection, Hamilton held a successful launch event at a music lounge in Roppongi, providing a modern interpretation of Elvis Presley, the first Hollywood celebrity to wear the original Ventura watch.

Swatch organized a number of press events for the launch of its diverse collections. The Swatch FIVB Beach Volleyball World Tour 2009 Japan championship was held in Osaka and marked the debut of the Swatcholino in Japan. The Swatch MTV Playground and Art Battle event in August offered artists a chance to get personally involved with art battles, artwork-to-go, and a graffiti wall, resulting in good media coverage.

SWATCH GROUP **MIDDLE EAST (2)**

Thanks to consistent marketing investment over the years by all brands, Swatch Group Middle East performed well in 2009, despite the economic turmoil, and managed to protect its market share and profitability through a strong focus on retail and the enhancement of brand image through targeted events.

Breguet and Blancpain underlined their leading roles by opening their first boutiques in Abu Dhabi and the United Arab Emirates (UAE) Another highlight for the market was the opening of the first Glashütte Original boutique in the Middle East in the Dubai Mall in Dubai.

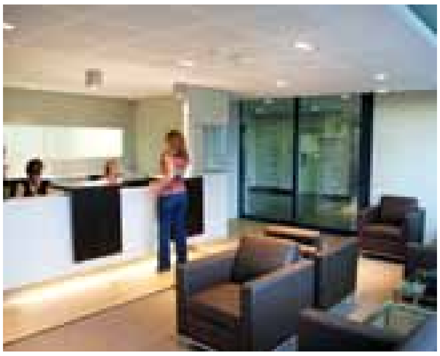
Swatch Group Middle East welcomed Tiffany & Co. watches by showcasing their first collection of exclusive timepieces at select Rivoli Prestige stores in the UAE. The brand was also presented in other leading prestigious locations in the region in collaboration with local partners.

Omega reinforced its commitment to the development of sports in the region and became the center of attention by signing the "Title Sponsorship Deal" for the premier golfing events of the Omega Dubai Ladies Masters and the Omega Dubai Desert Classic over the next five years. This sent out an incredibly positive signal at a time when the global financial crisis is threatening to hit sports. Omega strengthened its leadership in the Middle East market by adding two more boutiques in the City Center in Dubai and in Bahrain. Omega also continued its equestrian sponsorship of the H.H. Sheikh Mohammed Bin Rashid Al Maktoum Endurance Cup for the third consecutive year.

Longines focused on strengthening its image by implementing more bespoke shop-in-shops in the region; with over 15 shop-in-shops put in place in 2009 in the UAE, the Kingdom of Saudi Arabia (KSA), Egypt, Morocco, Syria and Iraq. The brand also realized the great potential of North Africa, where its sales almost doubled in more than one country. In addition, Longines continued its support of the world of Equestrian sport through sponsoring main events in the region.

Tissot continued to strengthen its position as the leader in the mid-price segment. More space was acquired at the point-of-sale level and presentation was upgraded with various shop-in-shops rolled out in markets across the region. Monobrand stores continue strongly to enhance the brand positioning, with a current network of two Tissot monobrand stores in Saudi Arabia and one in Dubai, Jordan and Egypt. A Pan-Arab TV campaign proved very successful and provided the competitive edge, increasing awareness and desirability, backed up by events and public relations activities organized throughout the year.

Swatch cemented its art credentials via mall exhibitions in Saudi Arabia, successful point-of-sale events in the UAE and numerous marketing activities in the region. The launch of Irony Chrono Automatic was supported by a successful Pan-Arab TV and online media campaign. Concentrating on substantially increasing its presence in key countries also resulted in higher market share throughout the Middle East.



SWATCH GROUP **SOUTH AFRICA**

The creation of its wholly-owned subsidiary in South Africa in 2009 strengthened the positioning of the Swatch Group brands in the local market, as well as cultivating closer relationships with local trade partners. The focus on increasing its retail presence, establishing shop-in-shops, as well as entering large and high-level shopping centers led to a noticeable increase in sales. The new offices located in the upmarket suburb of Sandton, Johannesburg, are also perfectly in line with the prestige of the Swatch Group brands and, moreover, house the first state-of-the-art dedicated customer service center in South Africa.

Throughout the year, a number of promotional events ensured the visibility and enhanced the image of all brands, in particular through networking events, such as South Africa's GQ Best Dressed, The Top Billing Travel show and MTV Base Nights. The launch of the new *Fairlady, True Love* and *Sarie* Jewellery Guide, *Shine,* also generated significant celebrity and media exposure for the brands.

A highlight of the year for Omega was the exclusive by-invitation-only launch of its watch and fine jewellery range, at one of South Africa's premier destinations, Melrose Arch in Sandton. The brand also reinforced its position as Official Timekeeper of the Fina / Arena Swimming World Cup series, which kicked off in Durban in October. Longines launched its PrimaLuna collection at an exclusive event in Johannesburg in the presence of top celebrities, leading retailers and selected media. Rado concentrated its efforts on retail marketing with the opening of its new shop-in-shop in one of Pretoria's newest upmarket shopping centers. Tissot enjoyed exceptional media coverage, following the signing of Sasha Martinengo, the talented celebrity radio presenter for South Africa's top radio station, 5FM, and the country's most popular Formula 1 racing sports commentator. Tissot also concentrated on its distribution network with new displays and additional shop-in-shops. ck watch & jewelry remained on the cutting-edge of South African fashion as a major sponsor for Fashion TV's 4th anniversary event. The national campaign kicked off at FTV Sandton in November and was attended by a number of high-profile models and celebrities. In August, Swatch launched the Artist Collection, which created a buzz of excitement in the market and repositioned Swatch as a fun brand, as did the well-attended UCI BMX Championship held in Pietermaritzburg.

GOVERNANCE

ENVIRONMENTAL POLICY

Environmental and Safety Policy Protection of the environment is a high priority policy within Swatch Group, and has been for decades. Swatch Group is very conscious of the limited nature of resources and treats them with the utmost possible care, and, in doing so, contributes significantly to general environment protection. Such a contribution may only be provided by efficient and sustainable actions. Swatch Group not only commits itself to the continuous improvement of its environmental performance, but also goes beyond the legal requirements for products and production processes. The necessary financing is considered to be an investment in the preservation of the environment.
The sustainability requirement includes economic and social aspects in addition to the environmental dimension. Therefore, in everyday business, these three interdependent factors are of the highest priority.
In the reporting year 2009, Swatch Group continued its commitment to optimize the environmental safety and sustainability of its activities. Even with the challenging economic situation in 2009, the efforts and results achieved confirm the commitment to this policy.

Progress achieved Actions taken still focus on the most important elements affecting the environment: water, air, energy and waste management. Benchmarked to the previous year, improvements can be highlighted in the following areas:
• **Energy Consumption by floor space (kWh/m²)** The energy consumption of fuel, natural gas and district heating was reduced by 5.0%. This improvement came from building renovation and insulation, replacement of heating installations, optimization or replacement of several air-conditioning and cooling systems, the putting into operation of a new heat recovery system as well as solar energy heating systems.
• **Electricity consumption** Electricity consumption decreased by 4.1%, mainly through more energy-efficient machines and installations at several production sites, the increased use of energy-saving lamps, as well as through specific energy saving actions implemented by the employees.
• **CO_2 emissions resulting from energy consumption** Benchmarked to the previous year, fossil fuel savings decreased CO_2 emissions by 1.7%. Collaboration with the Economic Energy Agency (Agence de l'énergie pour l'économie / AEnEC), in order to further reduce energy consumption, and thus CO_2 emissions, will be intensified and extended to other Swatch Group entities.
• **Waste management** The quantity of special waste entrusted to accredited companies specialized in recycling decreased by 19.5% during 2009. In the same period, the share of recycled special waste increased by 2.7%. Better waste sorting and systematic quantity control resulted in an increase of 29.8% in the recyclable portion of other industrial waste, such as paper, cardboard, synthetic material and electronic components.
• **Battery recycling** During 2009, the quantity of used watch batteries collected and recycled increased by 26.5%, not taking into consideration batteries internally recycled by Renata.
• **Use of water** Also in this area significant improvements were achieved. The consumption of drinking and non-drinking water was reduced by 11.0% and 28.9% respectively compared to 2009, even though the production and sales areas increased and additional cooling and climate control installations were put into operation. Furthermore, new installations functioning in closed circuits or collecting rainwater for cooling and sanitary installations contributed significantly to this result.
• **Emissions of VOCs (Volatile Organic Compounds)** An important reduction in VOC emissions was realized thanks to the conversion to aqueous procedures without solvents or with less volatile substances, as well as by improvements to technical installations.
• **Paper consumption** Exchanging information by electronic means and thus avoiding printouts of documents reduced the paper consumption by a significant 25.0%.

Risk management Regular risk assessment is made by internal and external experts. The data is then recorded, analyzed and evaluated by means of the Corporate Management Risk System. This allows selection of the most appropriate action to be taken in order to minimize or avoid potential loss or damage.
Fire remains the highest potential risk identified. Therefore, Swatch Group invests in automatic fire extinguishing systems, particularly on production sites. In any case, comprehensive and clearly defined emergency procedures exist.
The health and safety of its employees is the highest Swatch Group priority. Therefore, management makes available all the resources required.
Environmental and social criteria are also part of the procurement policy. To be accepted, suppliers must fully comply with the contractual agreement in terms of security, environmental protection and sociopolitical factors.

SOCIAL POLICY

www.swatchgroup.com/en/human_resources

General principles Aware that the performance of a company largely depends upon the competences and motivation of its employees, Swatch Group continues to ensure that it applies a social policy that makes it a competitive and attractive player in the employment market. It therefore pays particular attention to the definition and application of different processes, in respect to training, management and support, to administer and manage its human resources.

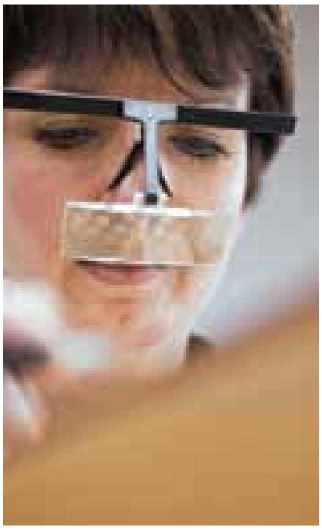
Employment With some 24 000 employees around the world, Swatch Group is an important player for a large number of professions and areas of activity. Compared to its major competitors, the biggest watchmaking group in the world suffered far less from the economic crisis and made it a point of honor to preserve jobs. Since the development and future of a company is obligatorily linked to preserving expertise and long-term employment, the Board of Directors and its General Management Board declared themselves ready to assume the loss in profit, in particular from the production companies, due to the fall in orders from external customers. This fundamental decision represents both a commitment taken by the leaders of Swatch Group to its employees and a means of retaining the strategic competences for the company. These two aspects will consolidate still further Swatch Group's position in the medium and long term.

Training

- **Apprenticeship programs** Acutely aware of its socio-economic responsibilities, Swatch Group pays particular attention to professional training. Playing an important role in the employment market and for certain professions that are in danger of disappearing altogether, the company is constantly training young apprentices in a wide variety of professions linked to the industries of watchmaking, micro-technology and electronics, in a business, technical, arts and crafts or industrial capacity. Despite the difficult employment market, Swatch Group even intensified its training activities and in 2009 trained 331 apprentices in its companies based in Switzerland, an increase of 5% on 2008.
- **Nicolas G. Hayek Watchmaking Schools** In addition to Swatch Group's apprenticeship program within its companies in Switzerland and offering a concrete response to the long-term needs of the watchmaking sector, the Nicolas G. Hayek Watchmaking Schools, founded on the initiative of the Chairman of the Board of Directors of Swatch Group, are training a new generation of qualified watchmakers. The six watchmaking schools around the world train students to become professional watchmakers and the future customer service leaders of Swatch Group, by providing them with a specialized program. After a rigorous selection process, the chosen students benefit from free individualized intensive instruction of the highest standard, according to a program of 3000 hours, over two to three years. In 2009, the 26 students who completed the course passed their final exams succesfully and a total of 54 new trainees were admitted.

Professional development Following a management process relating to performance and development of competences, Swatch Group's training activities also include on-going training of its employees at all levels. Desirous to show the value it places on its skill sets, personnel and job positions, the company favors internal promotion and empowerment and therefore defines training needs with the employees concerned. Within this framework, although Swatch Group reduced the scope of its training activities because of the economic crisis, the definition of the priority areas of training ensured a strategic and targeted pursuit of its training program.

Working Conditions and Social Partnership Swatch Group engages in open dialogue with the different unions, in a spirit of co-operation so as to reach mutually-beneficial solutions. Amongst other things it wants all its employees to be able to benefit from high level social insurance which provides a reassuring level of cover. Through its constant investments, the company shows its desire to offer good working conditions to its employees. Concerned by all aspects of health and safety in the workplace, it encourages the creation of a positive working atmosphere favorable to the personal fulfillment of its employees. International and multicultural, with some 70 different nationalities working within its companies in Switzerland, Swatch Group is a home to diversity. It also accords great importance to the individual identity of each of its companies and leaves each the freedom to act according to its own particular working customs.



CORPORATE GOVERNANCE

1. Group structure and shareholders

1.1 Group structure

The Swatch Group is active worldwide and represented in all market and price segments in the watch sector with 19 brands and in the jewelry sector. In addition, it holds an outstanding industrial position with a high degree of verticalization in the Production sector as well as the strategically important sector of Electronic systems. In the Corporate sector, the operational units which provide services for the whole Group are centralized.

The Swatch Group has lean and efficient management structures at all levels. While the Board of Directors deals with the overall management, strategic and supervisory tasks, the operative executive duties are incumbent on the Executive Group Management Board, which is supported by the Extended Group Management Board.

An overview of the operational and of the distribution organizations is given on pages 6 and 7. The fully consolidated companies, of which none but The Swatch Group Ltd is listed on the Stock Exchange, are given on pages 202, 203 and 204 with each company's name, domicile, share capital and the percentage of shares held.

The shares of The Swatch Group Ltd are listed on the SIX Swiss Exchange AG. The bearer shares are listed under the Swiss security numbers 1 225 515 at the SMI, SPI as well as SLI indices. The registered shares are listed under the Swiss security numbers 1 225 514 at the SPI Extra and SMIM indices.

ISIN:	CH0012255144	registered shares
	CH0012255151	bearer shares
Reuters:	UHRN.S	registered shares
	UHR.VX	bearer shares
Telekurs:	UHRN, 1	registered shares
	UHR, 1	bearer shares

Since February 2007 the shares of the Swatch Group are also listed on the BX Berne eXchange.

Further information concerning market capitalization and earnings per share is shown on page 216.

The corporation's registered office is located in Neuchâtel, Faubourg de l'Hôpital 3. The administrative headquarters are in Biel/Bienne, Seevorstadt 6.

1.2 Significant shareholders

As of 31 December 2009, the Hayek Pool, related parties, institutions and persons control 63 301 445 registered shares and 201 325 bearer shares, totalling 41.0% (previous year 40.7%) of the votes.

The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Mr N. G. Hayek	Meisterschwanden	N. G. Hayek
WAT Holding AG	Meisterschwanden	N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	J. N. Schneider-Ammann and Ammann families
Swatch Group Pension Fund	Neuchâtel	–

The companies and institutions close to the Hayek Pool but which do not formally belong to the Hayek Pool are:

Name/Company	Location	Beneficial owners
Hayek Holding SA	Meisterschwanden	N. G. Hayek
Mr N. G. Hayek and family members		N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	–
Families Ammann (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by J. N. Schneider-Ammann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	–
Wohlfahrtsstiftung der Renata AG	Itingen	–
Fonds de prévoyance d'Universo SA	Neuchâtel	–

Mr N. G. Hayek's group controls directly, through related parties and institutions and in the context of the Pool 40.2% (previous year 40.0%) of the votes. 4.8% thereof are represented in the context of the Pool contract (previous year 4.5%).

Mrs Esther Grether's group controls 7.5% (previous year 7.5%) of the votes registered at 31 December 2009 in the share register.

On 31 December 2009, no other individual shareholder or group of shareholders holding more than 5% is known to the Company.

1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

CORPORATE GOVERNANCE

2. Capital structure

2.1 Capital

On 31 December 2009, the capital structure of The Swatch Group Ltd was as follows:

124 045 000 Registered shares at CHF 0.45 par value	CHF	55 820 250.00
30 840 000 Bearer shares at CHF 2.25 par value	CHF	69 390 000.00
Total share capital as of 31.12.2009	**CHF**	**125 210 250.00**

2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2009.

2.3 Changes in capital

Over the past three years the share capital of The Swatch Group Ltd changed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2007	128 100 000 at CHF 0.45[1)]	31 660 000 at CHF 2.25[1)]	128 880 000.00
31.12.2008	124 045 000 at CHF 0.45[2)]	30 840 000 at CHF 2.25[2)]	125 210 250.00
31.12.2009	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

1) Buyback of shares on the Group's 2nd trading line and cancellation following the decisions of the Annual General Meeting of 11 May 2007: 3 430 000 registered shares and 704 000 bearer shares.

2) Buyback of shares on the Group's 2nd trading line and cancellation following the decisions of the Annual General Meeting of 21 May 2008: 4 055 000 registered shares and 820 000 bearer shares.

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2008 and 2009, is published on page 157. For The Swatch Group Ltd, it is published for the year 2009 in note 7 on page 211. With regard to the previous years we refer to the annual reports 2006, 2007 and 2008.

2.4 Shares and participation

The shares of the Company listed in point 2.1 are fully paid in. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value. No participation notes have been issued.

2.5 Benefit certificates

No benefit certificates exist.

2.6 Limitations on transferability and nominee registrations

The Statutes of the Swatch Group stipulate that the Board of Directors shall refuse the registration of new shares, if the new shareholder fails to give an express written declaration to the effect that he or she acquired the shares in his/her own name and for his/her own account. Furthermore, the Board of Directors refuses a registration if the purchaser, either alone or in conjunction with related persons, already holds 5% or more of the registered share capital (either directly or indirectly) at his disposal, or would exceed this threshold with the new acquisition (Art. 9 para. 3 of the Statutes). The Board of Directors may approve exceptions to this rule in special cases. No such exceptions were requested in the period under review.
Insofar as an individual or a legal entity was already entered in the share register before the reporting date of 31 May 1997 with 5% or more of the registered share capital, the Board of Directors must approve even though the percentage limits have been exceeded. The same exception applies for related persons (spouse, descendant, brother, sister), transfers due to inheritance or matrimonial property rights as well as certain transfers between legal entities or individuals subject to the exception (Art. 9 para. 6 and 7 of the Statutes).
Where a share purchaser presents an application for recognition as a shareholder of the company, he shall be regarded as a shareholder without voting rights until the company has recognized him as a shareholder with voting rights. If the company fails to refuse the purchaser's application for recognition within 20 days, he shall be acknowledged as a shareholder with voting rights. A shareholder who has no voting right may exercise neither the voting right nor the other associated rights.

2.7 Convertible bonds

On 15 October 2003, The Swatch Group Finance (Luxembourg) SA, Luxembourg, launched a bond issue of CHF 411.6 million guaranteed, unsubordinated bonds due 2010, convertible into registered shares with a par value of CHF 0.45, and unconditionally and irrevocably guaranteed by The Swatch Group Ltd. Through its financial company in Luxembourg, the Swatch Group issued the bonds to take advantage of the attractive financing opportunity available in the convertible market in order to dispose of its treasury shares. The cash generated will be used outside Switzerland for general business activities of the Group. The bonds are structured as seven-year traditional full-coupon convertible bonds and are sold to investors with a coupon/yield to maturity of 2.625% (annual) and a conversion price of CHF 49.–. The issuer issues and redeems the bonds at 100 percent. Each bond of par value of CHF 5000.– is, in accordance with its terms, convertible free of charge into shares. The bond issue was a public bond offering in Switzerland.

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2.7.1 Payment date / maturity date of the convertible bond

Payment date: 15 October 2003

Maturity date: 15 October 2010

2.7.2 Conversion right/conversion period/conversion price

Each bond in the principal amount of the CHF 5000.– will be convertible, on any business day during the conversion period, into shares at the conversion ratio. The conversion ratio will be determined by dividing CHF 5 000.–, the principal amount of one bond, by the conversion price (CHF 49.–) prevailing on the conversion date. Fractions of shares will not be issued nor delivered on conversion. Instead cash payments in Swiss francs will be made.

2.7.3 Repayment at the maturity date

Unless the bond has been previously converted, redeemed, or purchased and cancelled, the issuer undertakes to repay the bond at the maturity date (15 October 2010) without further notice, at the principal amount.

2.7.4 Volume of the convertible bond in terms of nominal value and voting rights

The volume of the underlying shares of the convertible bond was 8 400 000 registered shares of The Swatch Group Ltd. The transaction was fully covered by the amount of these underlying shares. On the 31.12.2009 these shares represented 5.4% of all voting rights of the company and 3.0% of the total nominal value of The Swatch Group Ltd. Until 31 December 2009, 16 bonds with a nominal value of CHF 5000.– each had been converted.

In addition, the Group refers to the prospectus on the convertible bond dated 8 October 2003.

2.8 Options

In 1986, a block of shares was reserved in favor of a management stock option plan in connection with the takeover of control of the Swatch Group by the Hayek Pool. On 31 December 2009, the content of this portfolio amounted to 2 356 309 registered shares; this corresponds to 0.85% of the total share capital (previous year 2 572 039 registered shares, 0.93% of the total share capital). In the year under review 215 730 registered shares (or 0.08% of the total share capital per 31.12.2009) were consequently sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription / payup
2007	61 548	201	2009
2008	79 316	211	2009
2009	74 866	214	2009
Total	**215 730**		

In addition, the Group gave participating managers the following options to subscribe in future to further registered shares at the following preferential prices:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription / payup
2008	75 204	202	2010
2009	73 266	212	2010
2009	73 458	212	2011
Total	**221 928**		

Neither the members nor the Chairman and Delegate of the Board of Directors, with the exception of Mrs Nayla Hayek, have received options or shares under this plan.

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively.

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3. Board of Directors

3.1 Members of the Board of Directors (incl. 3.2 and 3.3)

The Board of Directors on 31 December 2009 is composed as follows:

Dr h. c. Nicolas G. Hayek, Swiss citizen, Chairman and Delegate of the Board of Directors of the Swatch Group since 1986. Mr N. G. Hayek has been strategic consultant of the Group since 1980, defined the guidelines for the merger of ASUAG-SSIH, and developed the future strategy of the Group. The Universities of Neuchâtel and Bologna have conferred honorary doctorates on him. Mr N. G. Hayek is also Chairman of the Board of the Hayek Group, of which he is the founder and which also occasionally provides services for the Swatch Group. Mr N. G. Hayek acted within the Advisory Board of EPFL (Ecole Polytechnique Fédérale de Lausanne) and was also a member of the temporary advisory «High Level Group» of the European Union. Mr N. G. Hayek was awarded the distinction «Grosses Ehrenzeichen mit Stern» from the government of Austria, he was appointed «Officier de la Légion d'honneur» and «Commandeur de l'Ordre des Arts et des Lettres» by the government of France and was nominated honorary citizen of Biel-Bienne as well as of Meisterschwanden (Aargau). In January 2007, Mr N. G. Hayek received the Swiss Lifetime Award, which was awarded for the first time. In 2008, Mr N. G. Hayek constituted Belenos Clean Power Holding Ltd, of which he is Chairman and Delegate. Mr N. G. Hayek does not exercise other executive or supervisory activities outside the Group. He holds neither official function nor political office.

Dr Peter Gross, Swiss citizen, holding a PhD in Law and lawyer by profession, Vice-Chairman of the Board of Directors of the Swatch Group. Mr Gross was a member of the Board of Directors of the predecessor companies ASUAG (since 1977) and from 1981 of SSIH (of which he was the chairman until 1983). Mr Gross, was General Director of the Union Bank of Switzerland, Zurich, then chaired Danzas Holding AG, Basle, as well as the Solothurn Bank SoBa. He performs no operative functions and entertains no commercial relations with the Swatch Group. Otherwise, Mr Gross neither exercises permanent executive or advisory functions nor holds official or political office.

Esther Grether, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1986. Mrs Grether is Chairperson of the Board of the Doetsch Grether Group, Basle. She has headed this group for over 30 years. As the second-largest shareholder after Mr N. G. Hayek, she neither performs any operative functions nor entertains any commercial relations with the Swatch Group. Otherwise, Mrs Grether neither exercises permanent executive or advisory functions nor holds official function or political office.

Nayla Hayek, Swiss citizen, Dr h.c. European University Montreux, Montreux, has been on the Board of Directors of the Swatch Group since 1995. As a member of the World Arabian Horse Organization (WAHO), and as international Arabian horse judge, Mrs Hayek's top-level contacts contribute to many of the business and promotional activities of the Swatch Group and she is responsible for the local organization in Dubai (Swatch Group Middle East) on site, Swatch Group India and the brand Balmain. In the middle of 2007, her advisory mandate has been converted into an employment agreement. Following the signature of collaboration agreements with Tiffany & Co, New York, Mrs Hayek has taken over the operational leadership of the new business entity Tiffany Watches, which was incorporated on 22 January 2008 (Tiffany Watch Co. Ltd). As Board member of the Hayek Group, she is responsible for Hayek Immobilien AG. Mrs Hayek is member of the Board of Directors of Rivoli Investments L.L.C.,Dubai, where she represents the interests of Swatch Group, as well as a Member of the Board of Directors of Belenos Clean Power Holding Ltd. She holds no official function or political office.

Prof. Dr h. c. Claude Nicollier, Swiss citizen, graduated in Physics and Astrophysics from the Universities of Lausanne and Geneva. Mr Nicollier has been a member of the Board of Directors since 2005. Mr Nicollier resigned from his activities as astronaut at the European Space Agency ESA in March 2007. As an astronaut he was particularly active in the space missions Atlantis 1992, Endeavour 1993, Columbia 1996 and Discovery 1999. The aim of the Endeavour and Discovery missions was the execution of reparation works on the Hubble Space Telescope which were a complete success. The Universities of Geneva and Basel and the École Polytechnique Fédérale de Lausanne, where Mr Nicollier teaches as a titular professor at the school of engineering, have conferred honorary doctorates on him. Mr Nicollier is involved in the «Solar Impulse»-Project and is responsible for the test flights. He is member of the Board of Directors of Belenos Clean Power Holding Ltd. Mr Nicollier does not exercise any operative functions at Swatch Group, does not have any business relationship with Swatch Group and holds no political office.

Johann Niklaus Schneider-Ammann, Swiss citizen, a qualified ETH engineer, Insead MBA, has been on the Board of Directors of the Swatch Group since 1998. He is Chairman and Delegate of the Board of the Ammann Group Holding AG. He performs no operative leadership functions in the Swatch Group and neither he personally nor the company he represents entertain any commercial relations with the Swatch Group. Mr Schneider-Ammann is a member of the boards of various companies, Chairman of the Mikron Holding AG, Chairman of Swissmem (Swiss Machinery, Electrical and Metal Industry), Zurich, Vice-Chairman of Economiesuisse, Honorary Councillor of the ETH Zurich, as well as a member of the Swiss National Council. Mr. Schneider-Ammann is a member of the Board of Directors of Belenos Clean Power Holding Ltd.

Ernst Tanner, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1995. He is Chairman and Delegate of the Board of the Lindt & Sprüngli Group. Before his activity with Lindt & Sprüngli, he was for over 25 years in leading management positions with the Johnson & Johnson Group in Europe and the USA, ending up as Company Group Chairman Europe. He is

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a member of the Board of Credit Suisse Group. Otherwise, he exercises no other executive or advisory functions and holds no official function or political office.

3.4 Elections and terms of office

The members of the Board of Directors are elected at the Ordinary General Meeting of the shareholders for a term of three years. The period between two ordinary General Meetings is regarded as one year. The members of the Board shall be eligible for re-election at any time. There is no limit on the term of office. According to Article 18 of the Swatch Group Statutes the votes and elections take place openly, except where the Chairman orders a written election or vote. One or more shareholders, who together dispose of not less than 10% of the represented votes, may require written votes or elections.

First-time election and remaining term of office of the members of the Board of Directors:

	First-time election	Term of office
Dr h.c. Nicolas G. Hayek	1986	Up to 2010
Dr Peter Gross	1977	Up to 2010
Esther Grether	1986	Up to 2010
Nayla Hayek	1995	Up to 2010
Prof. Dr h.c. Claude Nicollier	2005	Up to 2010
Johann Niklaus Schneider-Ammann	1998	Up to 2010
Ernst Tanner	1995	Up to 2010

Mrs Esther Grether has been designated representative of the bearer shareholders and Mr N. G. Hayek as representative of the registered shareholders.

3.5 Internal organizational structure of the Board of Directors

The Board of Directors is self-constituting. It has appointed a Chairman (Mr N. G. Hayek) and a Vice-Chairman (Dr P. Gross) from its midst. Mr Roland Bloch, who is not a member of the Board of Directors, serves as Secretary to the Board of Directors. The term of office of the Chairman, the Vice-Chairman and the Secretary is, in each case, three years. They are all re-eligible for a further term of office. If an officer is substituted, the successor completes the remainder of the term of the predecessor.
The Board of Directors has an Audit Committee and a Compensation Committee at its disposal. These committees, which sit separately (normally immediately following an ordinary meeting), because of the relatively small number of company directors, comprise all the members of the Board of Directors; the committees are chaired by Mr N. G. Hayek.

The Audit Committee is mainly responsible for the supervision of the financial reporting and for the evaluation of the internal and external audit. The Audit Committee has particularly fulfilled the following functions:
– Review of the Audit reports,
– Reinforcement of points which the auditing firm raised,
– Determination of the audit focal points,
– Discussions of the efficiency of the internal control system including risk management,
– Appraisal of the performance, remuneration and independence of the external auditors,
– Dealing with special questions of the financial statements (for further details see also point 8.4).

The Compensation Committee determines the principles of compensation of the members of the Board of Directors, members of the Executive Group Management Board and members of the Extended Group Management Board and supervises the compliance with these principles (see point 5.1 hereafter). In addition, the salaries and bonuses of the managerial staff (Executive Group Management Board/Extended Group Management Board) including stock options were approved.
In the year under review, the Board of Directors met five times. The meetings lasted approximately three to four hours. Furthermore, the Compensation Committee met twice and the Audit Committee met once. The members of the Executive Group Management Board regularly attend the ordinary meetings of the Board of Directors (second part). Beside the President (CEO) of the Executive Group Management Board, the Chief Financial Officer (CFO) and the Chief Legal Officer (CLO) and, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit and the Compensation Committees.

3.6 Definition of areas of responsibility

The Board of Directors is the highest executive body responsible for the overall administration of the Group. It adopts strategic decisions and defines the means necessary for attaining the long-term goals. It determines, inter alia, the participation and appointment of the members of the Executive Group Management Board, the Extended Group Management Board and the heads of the main Group companies. Moreover, the Board of Directors approves the annual budget of the Group and its affiliated companies and decides on investments over CHF 3 million, as well as on each commercial operation of the affiliated companies which exceeds CHF 10 million. The Board of Directors prepares the General Meeting and drafts the annual report as well as the half-year report.
The Board of Directors has delegated the current operative business to the Executive Group Management Board, the Extended Group Management Board and to the Holding Company Management.

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The Executive Group Management Board is responsible for implementing Group strategies. It sets strategies and objectives for the Group companies and supervises their management.
The Extended Group Management Board supports and advises the Executive Group Management Board in its operative tasks. It makes suggestions for the development of the Group strategy.
The individual members of the Executive and Extended Group Management Boards manage their allocated areas within the framework of the Group policy and in accordance with guidelines set by the Executive Group Management Board.
The Holding Company Management is responsible for the current operative business of the Holding Company.

3.7 Information and control instruments

Each member of the Board of Directors can request to receive information on all issues concerning the Company and on important issues concerning the Group companies.
The members of the Executive Group Management Board report at the Board of Directors meetings on current business and important business issues. In particular, the members of the Board of Directors regularly receive detailed information regarding turnover and results trends for the Group and Group Divisions. Furthermore, important business issues, new products and the Group's financial status are reported in detail. Moreover, extraordinary occurrences are immediately brought to the attention of the Board.
Outside meetings, each member of the Board of Directors may seek information on the general progress of business from authorized management (after informing the Chairman). With due authorization of the Chairman, they may also demand direct information on individual business transactions. Should the Chairman reject an application for information, a hearing or an inspection (which has never occurred so far), the entire Board of Directors shall decide at the request of the applicant.
To ensure the implementation and compliance of the statutory provisions and the Group's directives (including the rules of the statutes), a Compliance Officer has been appointed at the beginning of 2005. Moreover, the Chairman of the Board of Directors has an Audit-Team available, which he may deploy in specific cases.

4. Group Management

(Executive Group Management Board/Extended Group Management Board)
At 31 December 2009

4.1.1 Members of the Executive Group Management Board (incl. 4.2)

Nick Hayek, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003, Mr Hayek has worked with the Swatch Group since 1994, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and manager of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and of Belenos Clean Power Holding Ltd.

Arlette-Elsa Emch, Swiss citizen, holds a degree in Ethnology and History as well as a certificate in Journalism. She has been a member of the Extended Group Management Board since 1998 and of the Executive Group Management Board since December 1999. She joined the Swatch Group in December 1992 as Communications Manager to which position she brought her broad experience as a journalist to bear. She was appointed President of ck watch in 1997 and since then controls this brand which is a joint venture between the Swatch Group and Calvin Klein Inc., New York. Her responsibilities were extended, firstly in 2000, with the management of a company called Dress Your Body (DYB) which designs, develops and produces the lines of jewellery and purchases diamonds and precious stones for the different Swatch Group brands. Mrs Emch managed the brand Léon Hatot from 2002 to 2009; since 2009 she manages the brand Swatch. She is responsible for Swatch Group Japan and Swatch Group South Korea.

Florence Ollivier-Lamarque, French citizen, is a lawyer and has been a member of the Extended Group Management Board since 1992 and of the Executive Group Management Board since 2005. She is President of Swatch Group France, Swatch Group France Les Boutiques, responsible for Swatch Group Italy and Swatch Group Spain as well as for the watch brand Flik Flak. She has been with the Group since 1988 when it took over the Société Inthor, Paris, which distributed some of the Group's watches in France. At that time, she worked as Swatch and Tissot Brand Manager. In 1990, she took over the management of Swatch Group France and in 2002 the management of Swatch Group France Les Boutiques. She is member of Board of the Colbert Committee, Paris.

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Dr Mougahed Darwish, Swiss citizen, holds a doctorate in Physics from the ETHL. He has been a member of the Extended Group Management Board since 1994 and of the Executive Group Management Board since 2005, responsible for EM Microelectronic, Micro Crystal, Renata, Microcomponents, Oscilloquartz and Lasag. Mr Darwish has been with the Group since 1979, starting as Project Manager for the Xicor-Ébauches joint venture. Previously, he had been active in research and development for the Centre électronique horloger (CEH, today Centre Suisse de l´électronique et de microtechnique SA, CSEM). From 1985 to 2007 he managed EM Microelectronic as CEO. Today, Mr Darwish continues to be responsible for EM Microelectronic within the Executive Group Management Board. He represents the Group on the Executive Board and Science Council of the CSEM; he is a member of the Swiss Academy of Technical Science. Since 2008, Mr Darwish actively accompanies the project Belenos Clean Power.

Marc Alexander Hayek, Swiss citizen, Dr h.c. European University Montreux, Montreux, holds a bachelor degree in Economics and has undergone training in Marketing and Economics. He became a member of the Extended Group Management Board in 2002 and of the Executive Group Management Board in 2005 with responsibility for Blancpain, the Caribbean, Central and South America, François Golay, Frédéric Piguet, Valdar and Deutsche Zifferblatt Manufaktur. He joined Blancpain as Marketing Manager in 2001. Mr Hayek had previously worked as an independent entrepreneur (Restaurant Colors, Zurich) and had been employed by Swatch in the PR area and by Certina in marketing.

Dr Hanspeter Rentsch, Swiss citizen, holds a doctorate in Law and a degree in Economics (from HSG St. Gallen and Bern University). As member of the Extended Group Management Board since 1991 and of the Executive Group Management Board since 1995, he is responsible for legal affairs, licenses, strategic projects and patent matters (ICB), as well as for Swatch Group Greece and Swatch Group Poland. He joined the legal department of ASUAG in 1978. From 1980, he headed the legal and trademark department of the General Watch Co. Ltd and, after the merger, became General Counsel to the new group. He subsequently assumed additional functions in the areas of licenses, real estate and as Human Resources Responsible. Before joining the Swatch Group, he had been active as scientific assistant (Prof Dr W. R. Schluep, Economic, Commercial and Competition Law chair) at Zurich University. He represents the Swatch Group on the Executive Committee of Economiesuisse, on the Executive Board of the Swiss Employers Association, on the Executive Board of the Swiss section of the International Chamber of Commerce (ICC), and on the Executive Board of the Federation of the Swiss Watch Industry FH.

Roland Streule, Swiss citizen, attended business school in Basle. He has been a member of the Executive Group Management Board since 1990 and is responsible for Rado. He joined Rado as Regional Sales Manager in 1978. He has been President of Rado since 1989. From 1994 to 1997, he was responsible for the American and Canadian subsidiary of the Group, with permanent residence in the USA. Before joining the Swatch Group, he was Business Manager of the Ermano Watch Co. Ltd. He represents the Swatch Group on the Executive Board of the Federation of the Swiss Watch Industry FH; he is Vice-chairman of the Swiss-German Watchmakers Association.

François Thiébaud, French citizen, studied at the ICG Institut Contrôle de Gestion, Paris and Law at the University of Besançon, and he has been a member of the Extended Group Management Board since 1998 and of the Executive Group Management Board since 2006, with responsibility for Tissot, Mido, Certina as well as Swatch Group Brazil and the Swiss market. He joined the Swatch Group in 1996 as Manager of Tissot. Previously, he had been active as Delegate of the Board of Directors of Juvenia and Manager of Breitling. He represents the Group in the AMS Association des fournisseurs d'horlogerie, marché suisse (Vice-Chairman), he is member of the Baselworld Consulting Committee and President of the Baselworld Swiss Exhibitors Committee.

4.1.2 Members of the Extended Group Management Board (incl. 4.2)

Matthias Breschan, Austrian citizen, graduated from the Vienna School of Economics, has been a member of the Extended Group Management Board since 2005 and is responsible for Hamilton and for Swatch Group Mexico. Mr Breschan joined Swatch Group as manager of Hamilton. Previously he worked for three years at Swatch Telecom (as Area Sales Manager and later as head of department). In the meantime he was Managing Director of Aldi in France (Aldi Marché Est). Before joining Swatch Group Mr Breschan worked for Texas Instruments and Alcatel Mobile Phones in the product marketing, international marketing and sales areas.

Pierre-André Bühler, Swiss citizen, technical education, member of the Extended Group Management Board since 2008, responsible for ETA. Mr Bühler started his career within the Group in 1977 as workshop manager at Michel SA in Granges. Later Mr Bühler held executive functions at ETA (Technical manager of the division Michel) and at Nivarox (Production manager). Before taking over the general management of ETA, Mr Bühler worked as managing director of Nivarox-Far (Le Locle). He represents the Swatch Group on the Executive Board of the Federation of the Swiss Watch Industry FH.

Yann Gamard, French citizen, holds an MBA from Lausanne and has been a member of the Extended Group Management Board since 1998, responsible for Swatch Group Belgium, Swatch Group Germany, Swatch Group Netherlands, Swatch Group Nordic (Denmark, Finland, Sweden, Norway) and Swatch Group UK (as Country Manager a.i.). He joined the Group as Head of Finance of Swatch Ltd in 1995. Prior to that, he held various finance posts with Procter & Gamble, Swatch and Cartier. Previsously, he was assigned to the USA as Country Manager and had worked for Swatch as person in charge of the Telecom division.

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Walter von Känel, Swiss citizen, with a commercial training, has been member of the Extended Group Management Board since 1991, with responsibility for Longines. He entered Longines in 1969 and became its President in 1988. Before joining Swatch Group Mr von Känel worked for a watch-dial factory and with the Federal Customs Administration. He is a town councilor of Saint-Imier, member of the Bernese delegation to the Inter-Jurassic Assembly and of the «Conseil du Jura Bernois».

Dr Thierry Kenel, Swiss citizen, holds a doctorate in Economics, a degree in Mechanical Engineering and a postgraduate degree in Management of Technology. As a Member of the Extended Group Management Board since 2009, he is responsible for Corporate Finance, Reporting and Investor Relations. Mr Kenel has been with the Swatch Group since 2003, first as Group Controller in the business segment Electronic Systems and subsequently as head of Finance, IT and Administration at Montres Breguet SA. Prior to joining the Swatch Group, Mr Kenel was a lecturer and researcher in the field of economics at the University of Lausanne; earlier, he was a member of the board of directors and the management of the Flumroc-Spoerry group of companies. Mr Kenel represents the Swatch Group in the board of the Convention Patronale and in the Federation of the Swiss Watch Industry FH, where he presides over the Economic Commission. Mr Kenel continues to be a private lecturer of Finance and Financial Reporting at the University of Lausanne (HEC) as well as at the Swiss Institute of Certified Accountants and Tax Consultants. He is also a member of the Liaison Committee University-Industry at the University of Lausanne (HEC).

Thomas Meier, German citizen, is a graduate engineer FH from the University of Applied Sciences Karlsruhe (Micromechanics and Microelectronics), with additional training in Business Administration at the University of Munich and an apprenticeship as watchmaker. He has been a member of the Extended Group Management Board since 2005 and is responsible for Frédéric Piguet, Glashütte Original and Swatch Group Thailand. Mr Meier began his activities for Swatch Group in 1994 as project manager at Mido. Later he became project manager for Swatch Access. After a break he returned to Swatch Group in 1999 as project manager and later as production manager a.i. of Breguet. From 2004 until 2008 he was responsible for ETA. Before joining Swatch Group, Mr Meier worked as development engineer for Junghans in Germany.

Kevin Rollenhagen, American citizen, graduated in Economics (BA) at the Michigan State University, has been a member of the Extended Group Management Board since 2005 and is responsible for Swatch Group China and Swatch Group Taiwan, Swatch Group Australia and Country Manager of Swatch Group Hong Kong (he represented these countries from 2000 onwards in the Extended Group Management). Mr Rollenhagen joined Swatch Group in 1989. He started his career as trainee at Tissot and became Regional Sales Manager for Tissot and Omega. Since 1994 he has been active in Hong Kong and China (first as Brand Manager Omega). Before joining Swatch Group Mr Rollenhagen worked with Caterpillar in sales. Mr Rollenhagen represents Swatch Group in the Hong Kong Watch Importers Association where he acts as Treasurer.

Rudolf Semrad, Austrian citizen, with a commercial training, has been a member of the Extended Group Management Board since 2005 and is responsible for Austria and Country Manager of Swatch Group Austria (he represented this country from 2000 onwards in the Extended Group Management Board). Mr Semrad joined Swatch Group as Country Manager and Brand Manager Swatch in Austria in 1995. Previously he worked as sales director at Johnson Wax and Colgate Palmolive. Before joining Swatch Group, Mr Semrad was Managing Director of a watch distribution company in Austria.

Dr Peter Steiger, Swiss citizen, who has a doctorate in Public Economics, has been a member of the Extended Group Management Board since 2002, with responsibility for Corporate Controlling. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, he held leading financial posts with various Group companies (among others Swatch and Longines). Before joining the Swatch Group, he had worked with international groups in Switzerland and abroad (Shell, Philips).

Stephen Urquhart, Swiss and British citizen, who studied Industrial Management at the University of Neuchâtel, has been a member of the Extended Group Management Board since 2000 and is President of Omega. Mr Urquhart began his career at Omega in 1968. From 1974 to 1997 he pursued his career with Audemars Piguet, where he became Joint Chairman and Delegate of the Board of Directors from 1989 onwards. Mr Urquhart returned to the Swatch Group in 1997 as President of Blancpain.

The contracts of employment with the members of the Executive and the Extended Group Management Board are entered into for an indefinite period of time and can be terminated by both parties with a six month notice period. In case of a cancellation no termination payment will be due. No entry bonus is paid by Swatch Group when entering new contracts (Golden Hellos).

In case of a change in contract there are no entitlements to any compensation.

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4.1.3. Changes in the Executive Group Management Board resp. Extended Group Management Board

At the press conference on 18 March 2009 it was announced that Mr E. Geiser would resign as CFO and retire. Mr T. Kenel was appointed as his successor and became member of the Extended Group Management Board on 1 April 2009. On 6 October 2009 the planned transition period ended and since then Mr T. Kenel acts as CFO of the Group.

The employment contract of Mr E. Geiser ends on 31 March 2010. As new Chairman of the Pension Fund of Swatch Group he will remain closely linked to the Swatch Group.

On 1 October 2009 Mr M. Emch resigned from Swatch Group. His operational functions at Jaquet Droz were assumed by a committee under management of Mr N. G. Hayek a.i.

4.3. Management Contracts

Within the framework of a global contract, Hayek Engineering AG, Zurich, placed its management personnel in particular at the disposition of the operational activities of Swatch Group Assembly, Tiffany Watch Co. Ltd, real estate and logistics.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programmes

The Compensation for the members of the Board of Directors, the Executive Group Management Board and the Extended Group Management Board is determined by the Compensation Committee (see point 3.5). The result-dependent component of the total compensation plays an important role.
The performance-related payment is bound to quantitative and qualitative objectives. The quantitative objectives comprise elements of the sphere of influence of the function bearers and of the whole Group. The qualitative objectives are defined individually and are function related. The achievement of objectives is evaluated once a year.

Elements of remuneration
Basic Salary
The basic salary is paid in thirteen equal instalments. The thirteenth instalment is paid each year in December.

Lump sum expenses
Members of the Board of Directors, of the Executive Group Management Board and of the Extended Group Management Board receive a lump sum compensation for expenses in the amount of CHF 30 000, respectively CHF 24 000 (EKL). This lump sum compensation payment covers representation and small expenses and has been agreed with the tax authority of the Canton of Berne. Upon request by an employee, this amount can be integrated in the basic salary.

Bonus Program
The executive members of the Board of Directors, of the Executive Group Management Board and of the Extended Group Management Board annually receive a variable bonus, which depends on the development of the Group and the sector of activities supervised by the respective person (brands, countries, domain of activities) as well as individual achievements.
At the beginning of the year, a so called bonus potential is defined, which is paid out if the objectives are achieved. If the objectives are surpassed, more than 100% of the potential bonus will be paid. Where individual objectives are not achieved, a proportionate reduction will be made. The bonus is determined and paid out at the beginning of the year, once the annual accounts are available. Provided that the set objectives (turnover, operating profit) will foreseeably be achieved, the beneficiaries receive an advance payment of 70% of the bonus potential in December, if not, a payment of 50% will be made.
The assessment criteria being considered are among other things: turnover growth, evolution of operating profit, EBIT, changes in market shares, evolution of stocks and receivables, accomplishment of development projects, success in negotiations, successful implementation of cost reduction programs, fluctuation of employees, motivation of employees.
For the particular promotion of the Group's interests, a part of the bonus will be awarded as Group bonus.

5.2 Compensation for acting members of governing bodies

In 2009, the members of the Board of Directors received a total amount of CHF 4 904 931. The highest amount reached CHF 2 371 892. For details please refer to the table on page 199. The members of the Executive Group Management Board and the Extended Group Management Board received in 2009 an amount of CHF 26 787 632. In this category the CEO has received the highest remuneration of CHF 5 150 096. Details may be seen on the table on page 200.

Share Program
Members of the Executive Group Management Board as well as the Extended Group Management Board were, under the management stock option plan mentioned under Point 2.8, allocated 133 350 options in total to take up registered shares at an issue price of CHF 4.– each. One third of these was immediately available to be subscribed, paid and claimed. In one and two years respectively, the other thirds will be available.
Neither the members nor the Chairman and Delegate of the Board of Directors, with the exception of Mrs Nayla Hayek, received any options or shares.
The aims of the management stock option plan of the Swatch Group are to honour performances of the main Management members, strengthen the motivation and the sense of responsibility in the Group, further the loyalty to the firm as well as the

CORPORATE GOVERNANCE

stability of the managing employees and promote a favorable wealth increase. The allocation of shares results from an individual performance report. The voting rights of the shares in possession of the plan will not be exercised.
No compensation was paid to former members of governing bodies.

An overview of the shares and options owned by the members of the Board of Directors, Executive Group Management Board and Extended Group Management Board and persons being closely related to them at 31 December 2009 may be consulted on page 201.

Loans to members of the governing bodies
Group employees have the possibility of taking out a mortgage loan with the Swatch Group Pension Fund for the construction or acquisition of primary residences in Switzerland.
The conditions of this mortgage loan are set by the Swatch Group Pension Fund Foundation Board. The conditions are equally applied to all employees of the Swatch Group. At the end of 2009, one such loan had been advanced to one member of the Executive Group Management Board in a total amount of CHF 0.87 million (see note 29d on page 198).

Pension-/Management Funds
The members of management are covered by the Swatch Group Pension Fund under the same insurance regulations that apply to all employees. The insured salary for the year under review is subject to an upper limit of CHF 320 000.
Since 1 January 2003 the members of the Executive and Extended Group Management with employment contracts in Switzerland are additionally insured by the Management Fund of the Swatch Group. The Management Fund supplements the benefits of the Swatch Group Pension Fund. It insures all salaries over CHF 320 000.– up to a maximum of CHF 820 800.–. The contributions to the Management Fund amount to 10%, whereof three quarters (7.5%) are paid by the employer and one quarter (2.5%) is paid by the employee. The administration of the Management Fund has been taken over by the Management of the Pension Fund.

Termination Payment
No termination payments have been made to members of the Board of Directors, the Executive Group Management Board or to the Extended Group Management Board in the reporting year.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

For the exercise of voting rights, no shareholder may combine, either directly or indirectly, more than 5% of the total shareholders' equity in respect of his own shares and those represented by him. This limitation does not apply to the shares which are excluded from the registration prohibition (point 2.6 above). Nor does this restriction apply to the exercise of voting rights in accordance with Art. 689c CO relating to representation by a member of a company body and by independent voting-right representatives or to bank representatives with reference to the shares deposited with them.
Furthermore, pursuant to Art. 16(4) of the Swatch Group Statutes, the Board of Directors is entitled to make exceptions to the limitations in special cases. No exceptions were requested or granted during the business year. A change of the representation restrictions is only possible through a change of the provisions of the Statutes. For such change a decision of the General Meeting with a relative majority is required.
Shareholders may arrange to be represented at the General Meeting only by other shareholders who duly hold a written power of attorney. Registered shareholders may only be represented by other registered shareholders.

6.2 Statutory quorums

In addition to the special quorum regulations provided in Art. 704 CO, the Statutes also apply the same quorum regulation (two-thirds of the votes represented and an absolute majority of the par values of shares) for dismissing members of the Board of Directors.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting is convened pursuant to Articles 13 and 14 of the Swatch Group Statutes. Shareholders who together own at least 10% of the share capital can, at any time, request in writing the convening of an extraordinary general meeting. Such an extraordinary general meeting shall be held within 40 days of the date of receipt of such a request.

6.4 Agenda

Shareholders who represent shares with a par value of one million Swiss francs may submit a written request for a meeting to be held to discuss a particular subject; the motions tabled shall likewise be indicated (see Article 13.2 of the Swatch Group Statutes in conjunction with Art. 699 and 700 OR).

6.5 Entries in the share register

The share register is closed for entries 20 days before each General Meeting.

CORPORATE GOVERNANCE

7. Changes of control and defence measures

7.1 Duty to make an offer

Art. 10 of the Statutes provides that a shareholder who acquires shares either directly or indirectly or in agreement with third parties and by so doing exceeds the limit of 49 % of voting rights, including the shares that he already possesses, regardless of whether those rights can or cannot be exercised, shall be required to make an offer to purchase all the listed shareholding papers of the Company (Art. 32 BEHG).

7.2 Clauses on changes of control

There are no agreements with members of the Board of Directors, the Executive Group Management Board or other managerial staff for the case of a change in the shareholder structure.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

«PriceWaterhouseCoopers Ltd» performs since 1992 the function of external auditor of the Group. Before that, the predecessor organizations already served as auditors for the Group and many of its companies.
Thomas Brüderlin, Engagement Partner, has been responsible for the Group audit and for the audits of the Group's consolidated financial statements since the 2004 accounting year.

8.2 Auditing fees and additional fees (incl. 8.3)

The following auditor's fees have been charged to the 2009 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.0	0.3	0.3	4.6
Other Auditing Companies	0.9	1.3	1.1	3.3
Total 2009	**4.9**	**1.6**	**1.4**	**7.9**
Total 2008	5.1	1.7	1.3	8.1

8.4 Supervisory and control instruments pertaining to the audit

The supervision and final verification of the external audit is exercised by the Audit Committee, and by the full Board of Directors, respectively (see also the duties and functions as described under 3.5). The Audit Committee evaluates together with the Group Management the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Assembly. The Audit Committee meets annually with the auditors. The auditors prepare a report for the Audit Committee regarding the findings of the audit, the financial statement and the internal control. At the annual meeting the audit focus points for the following review period are determined and the audit related key risks established by the auditors are discussed. In collaboration with Group Management the independence of the auditors is evaluated annually. In particular and for this purpose the worldwide fees of the audit are presented, discrepancies with the estimated costs analysed and explained and the budget for the following audit period is determined. The appointment of the auditor is subject to an approval procedure.

9. Information policy

The Swatch Group reports on the business of the Group at the following times:

- 20 January 2010 Turnover of 2009
- 9 February 2010 Key figures 2009
- 11 March 2010 Press conference 2009 and annual report
- 12 May 2010 General Meeting of Shareholders
- 18 August 2010 Half-year figures 2010

The information is always published in the Swiss and international press and also published and processed in the publications of leading international banks.
This information can also be called up on the Swatch Group website on www.swatchgroup.com, and especially on the «Investor Relations» chapter. Moreover, the Push-and-Pull System is available to spread announcements, including ad-hoc-announcements.
The Swatch Group business report and half-year report can be obtained free of charge from the Group Headquarters. Inquiries can be made by e-mail at investor.relations@swatchgroup.com or by fax on +41 32 343 69 16 or by telephone on +41 32 343 66 39.

CONSOLIDATED FINANCIAL STATEMENTS
FINANCIAL STATEMENTS OF THE HOLDING

FINANCIAL STATEMENTS 2009

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Key financial developments in 2009

– Gross sales: Group gross sales of CHF 5 421 million, on comparable basis (excluding 2008 divestments of Sokymat and Michel) - 6.3% at constant exchange rates and - 8.1% in total lower than in the record year 2008. Record month of December, which also was the best month in 2009.

– Segments: Watch segment sales with a decrease at constant rates of - 5.5% largely outperform Swiss Watch Federation export sales (- 22.3% in 2009), gaining market shares for the Group in practically all price segments and markets.

– Operating profit: Operating profit reaches CHF 903 million or 17.6% on net sales (versus 21.2% in 2008, with a very strong performance in the second half-year (EBIT margin of over 20%).

– Net income: Net income amounts to CHF 763 million, - 8.9% less than in 2008, with 14.8% of net sales the same as in the previous year.

– Earnings per share: Basic EPS of CHF 2.89 per registered share (2008: CHF 3.15) and CHF 14.47 per bearer share (2008: CHF 15.75).

– Dividend: Dividend 2009 proposed: CHF 0.80 per registered share and CHF 4.00 per bearer share.

– Outlook: A good start in 2010, January sales representing the second-best month of January in the history of the Group, with an excellent outlook for the Group for the rest of this year.

Financial review

1. Operating results

Key figures Group

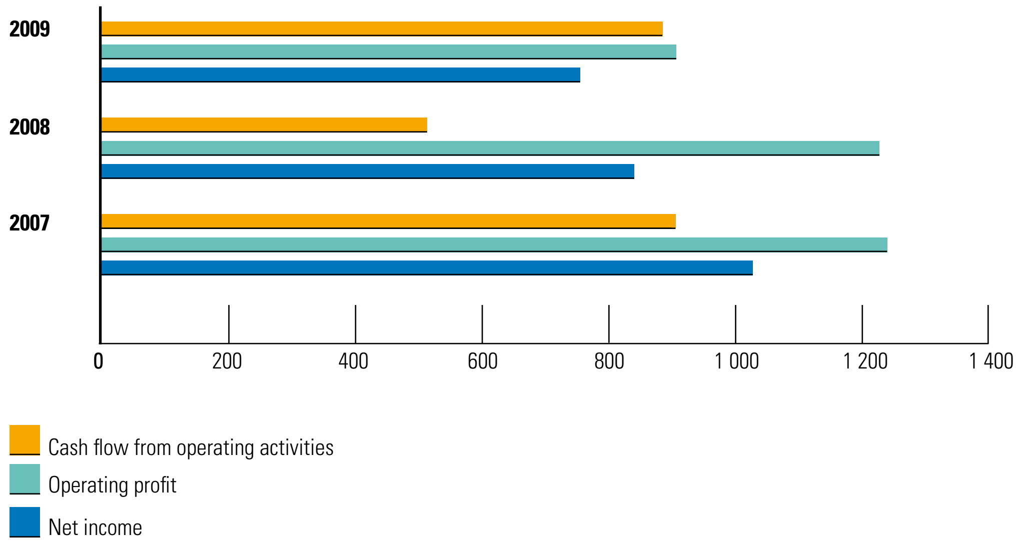
(CHF million)	**2009**	2008	**Change in %** at constant rates	currency effect	Total
Gross sales, adjusted[1]	**5 421**	5 900	–6.3%	–1.8%	–8.1%
Gross sales, as disclosed	**5 421**	5 966	–7.3%	–1.8%	–9.1%
Net sales	**5 142**	5 677			–9.4%
Operating profit	**903**	1 202			–24.9%
– in % of net sales	**17.6%**	21.2%			
Net income	**763**	838			–8.9%
– in % of net sales	**14.8%**	14.8%			
Equity	**5 981**	5 451			+9.7%
– as % of total assets	**77.6%**	75.3%			
Average return on equity (ROE)	**13.3%**	15.5%			

[1] excluding 2008 divestments of Sokymat and Michel

FINANCIAL REVIEW

Performance trends

(CHF million)



After the known market decline in late 2008 and early 2009, with a worldwide recession and a sharp drop in consumer spending, most markets recovered from the financially stressed environment in the second half of the year. The last months of 2009 showed a very positive development, with clear signs of market normalization and increased consumer confidence. To some degree, the economic crisis 2009 has separated the wheat from the chaff. This applies especially to the watch industry, where values such as brand awareness, tradition, history and high-quality products count more than ever. Consumers are looking for value and quality. The Swatch Group, with its large range of products in all price segments, increased its market share in most markets and regions.

In this challenging year, the Group achieved gross sales of CHF 5 421 million, a decrease of only -6.3% on a comparable basis (at constant exchange rates and excluding last year's divestments of Sokymat and Michel). This still represents the third-best result in the Swatch Group history. While the first half year saw a significant decline, sales picked up in the second half and just exceeded – in local currencies – sales of the second half of 2008. Strong Christmas sales clearly beat expectations and December turned out to be the best-ever month of December in terms of sales.

Foreign currencies negatively impacted sales by CHF 105 million or -1.8%, mainly in the second half of 2009. Especially the Euro, the British Pound and the Russian Ruble negatively impacted sales compared to previous year rates. The US Dollar had practically no impact, while the Chinese Yuan and the Japanese Yen influenced sales positively. Increasing watch demand in several markets compensated decreases in other markets and helped the segment Watches & Jewelry to achieve a remarkable result in 2009. The Production and Electronic Systems segments, on the other hand, were confronted with weaker demand and realized lower sales than in the previous year.

After a temporary setback in the first half of 2009, the Group's operating margin improved considerably in the second half year and achieved 17.6% (21.2% in 2008) for the full year. The main driving force was the watch segment, with a very convincing operating margin. Taking into account that foreign currencies as well as the gold price, an important raw material for the Group's watches, did not develop in our favor, this represents a very positive achievement. In addition, the Group preserved jobs for its employees, maintained strong marketing activities and kept investment at a very high level.

Net income decreased by 8.9% to CHF 763 million compared to CHF 838 million in the previous year, and, at 14.8%, the net margin remained at the same level as in 2008. The Group's balance sheet is still solid, with an improved equity ratio of 77.6% as at 31 December 2009 compared to 75.3% in the previous year, and also a much higher cash position. The average return on equity was a remarkable 13.3%.

The Board of Directors of the Swatch Group will propose the following dividend for 2009 to the Annual General Meeting on 12 May 2010: CHF 0.80 per registered share and CHF 4.00 per bearer share.

FINANCIAL REVIEW

Segment performance

Watches & Jewelry

(CHF million)	**2009**	2008	**Change in %**		
			at constant rates	**currency effect**	**Total**
Gross sales					
– Third parties	**4 426**	4 794			
– Group	**3**	2			
– Total	**4 429**	4 796	–5.5%	–2.2%	–7.7%
Net sales	**4 187**	4 547			–7.9%
Operating profit	**804**	828			–2.9%
– in % of net sales	**19.2%**	18.2%			

In 2009, the segment Watches & Jewelry recorded gross sales of CHF 4 429 million, a decrease of only -5.5% at constant rates compared to the record year 2008 (-7.7% in CHF). This performance is substantially better than the export figures published by the Swiss Watch Federation, which means that the Group has once again increased its market shares in several price segments. Sales in the second half of 2009 were almost 5% higher - at constant exchange rates - than in the second half of 2008. This encouraging trend led to a phenomenal record month of December with strong Christmas sales (+28.8% versus 2008).

In the second half of 2009, sales performance strongly improved in many regions, in some cases even exceeding the prior year level. Countries such as Japan, the US and Spain continued to suffer from the difficult economic conditions. However, the Group's presence in all price segments helped to overcome the weaker demand for top luxury products. The middle price range performed very well. The Group's strong brands – starting with Omega – played a leading role in many markets.

The segment's operating margin improved to 19.2% in 2009 (compared to 18.2% in 2008). This increase, achieved in a difficult year 2009, once again shows the Group's strength and dynamics. The higher margins came mainly from improvements by the important brands. Further efficiency increases in logistics and distribution also contributed to this strong increase in profitability.

Retail activities were further expanded in selected locations, seizing opportunities and available space in the different markets. This strategy has begun to pay off with the current recovery of the economic environment, and it will decisively support the Group's long-term growth. Third-party agents and retailers are starting to normalize their reduced stock levels, which will increase the demand at wholesale level in the future.

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Production

(CHF million)	**2009**	2008	**Change in %**		
			at constant rates	**currency effect**	**Total**
Gross sales					
– Third parties	**608**	659	–7.6%	–0.1%	–7.7%
– Group	**881**	1 151	–23.5%		–23.5%
– Total	**1 489**	1 810	–17.6%	–0.1%	–17.7%
Net sales	**1 429**	1 742			–18.0%
Operating profit	**94**	281			–66.5%
– in % of net sales	**6.6%**	16.1%			

In the Production segment, gross sales decreased in 2009 by -17.7% to CHF 1 489 million. This slowdown manifested itself in the second half of 2009. It is mainly due to the time lag between production and final watch sales, with order cancellations leading to reduced demand for watch movements and components and, in many instances, to a lower capacity utilization. The main reason for the drop in intragroup sales was a change of product mix. In particular, diamonds from Dress Your Body were less in demand than in 2008. Another factor was the shorter processing time of quartz movements for Swatch watches and a simultaneous stock reduction at Swatch brand level. Furthermore, order entries from third parties in 2009 for 2010 for mechanical movements decreased sharply. This trend will soon change in light of the improving market situation.

Segment profitability suffered especially in the second half of 2009, due to lower volumes, a change in product mix and by keeping the cost structure at constant levels. In connection with the clear commitment to preserve jobs for its employees in these difficult economic circumstances, Group management accepted a lower capacity utilization and a temporary decrease of operating margins.

Current order entries picked up in December 2009, which is an encouraging sign for the Production segment mid to long term. The overall improvement in terms of consumer confidence will lead to higher demand, with a certain delay compared to the watch segment. While maintaining the cost structure decreased the short-term profitability, it will pay off in the future. With the anticipated rebound of production volumes, the Group will not be obliged to make further adjustments.

FINANCIAL REVIEW

Electronic Systems

(CHF million)	**2009**	2008	**Change in %** at constant rates	currency effect	Total
Gross sales, adjusted[1]	**394**	462	–14.5%	–0.2%	–14.7%
Gross sales, as disclosed					
– Third parties	**380**	505	–24.6%	–0.2%	–24.8%
– Group	**14**	25	–44.0%		–44.0%
– Total	**394**	530	–25.5%	–0.2%	–25.7%
Net sales	**391**	526			–25.7%
Operating profit	**24**	104			–76.9%
– in % of net sales	**6.1%**	19.8%			

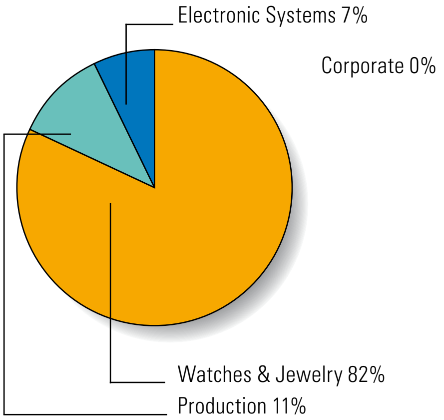
[1] excluding 2008 divestments of Sokymat and Michel

The market environment for the Electronic Systems segment remained very challenging in 2009. On a comparable basis (at constant exchange rates and excluding previous year divestments of Group companies Sokymat and Michel), segment gross sales decreased by only -14.5% to CHF 394 million. In some cases, due to very low inventory levels of some of the Group's suppliers, not all orders could be delivered to our customers. However, the improving sales trend in the last months of 2009 clearly shows that markets are recovering. Suppliers are regaining confidence and normalizing their stock levels. As a consequence, segment sales and profitability significantly improved in the second half of 2009.

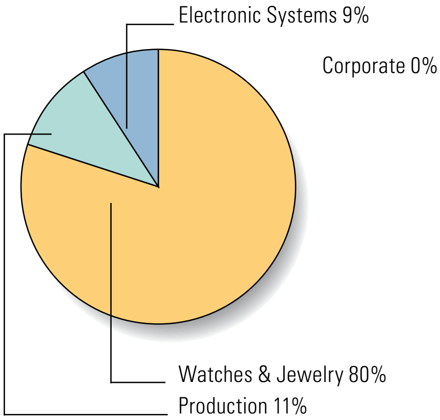
The segment's operating profit reached CHF 24 million in the year under review, which represents an operating margin of 6.1%. In 2008, operating profit included the gains on disposal of Sokymat and Michel amounting to CHF 45 million. In the second half year, the segment's operating margin rose to 10.7%. In early 2010, order entries signal a significantly improving trend in the markets. The announced sale of Microcomponents' step motor activities will further reduce the exposure to the automotive industry.

Segment share of net sales

2009

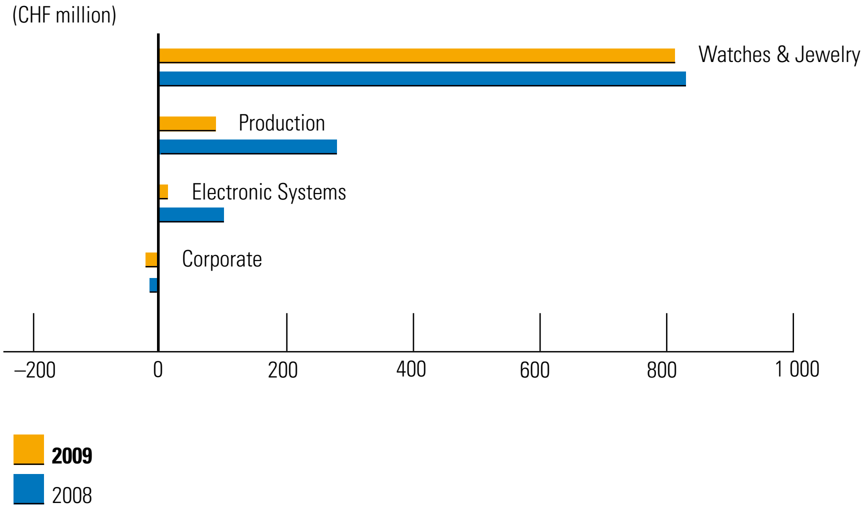


2008



FINANCIAL REVIEW

Segment share of operating profit



Financial result

An analysis of the net financial result of the Group shows the following:

(CHF million)	**2009**	2008
Interest income	**4**	23
Result from marketable securities and derivatives	**58**	–163
Share of result from associates and joint ventures	**5**	5
Net currency result	**0**	–35
Interest expense and other financial expense	**–21**	–26
Total net financial result	**46**	–196

In 2009, interest income was down due to less short-term deposits outstanding and lower interest rates. The recovery of financial markets in 2009 led to significant gains on marketable securities. Given that all marketable securities held by the Group are included in the category «fair-value-through-profit-or-loss», the financial result will continue to be volatile in the future and influence the Group's net income.

The general development of foreign currencies, with a weaker Euro and US Dollar as well as a higher Japanese Yen and Chinese Yuan, resulted in a neutral net currency result (compared to a loss in 2008 of CHF 35 million).

Income tax
An analysis of the income tax charge is set out in Note 7 to the consolidated financial statements. The income tax charge as a percentage of profit before tax was 19.6% in the current year compared to 16.7% in the previous year. The low tax rate of 2008 was influenced by the dissolution of tax provisions following the settlement of tax disputes.

Proposed dividend
At the General Meeting on 12 May 2010, a dividend for the financial year 2009 of CHF 0.80 (2008: CHF 0.85) for registered shares and CHF 4.00 (2008: CHF 4.25) for bearer shares will be proposed. This dividend, totalling CHF 223 million with a cash-out impact of CHF 210 million, has not been recognized as a liability in the consolidated financial statements at 31 December 2009.

Earnings per share
Basic earnings per share have decreased in the current year by 8.3% to CHF 2.89 (CHF 3.15 in 2008) for registered shares and CHF 14.47 (CHF 15.75 in 2008) for bearer shares respectively. The decrease in net income compares to a slightly reduced average number of shares. As in previous years, dilution of earnings is not material. Detailed information can be found in Note 8.

FINANCIAL REVIEW

2. Financial condition

Liquidity and financial resources

In a challenging year 2009, the Group realized an improved operating cash flow of CHF 890 million (compared to CHF 511 million in 2008). Net investing activities were lower than in 2008, mainly due to lower investments in tangible assets and less purchases of marketable securities. The absence of a further share buyback program in 2009 was the main reason for the reduced cash outflow from financing activities. These factors resulted in an increase in cash and cash equivalents in 2009 of CHF 418 million.

Asset and capital structure

The balance sheet continues to remain very solid, with an even stronger equity ratio of 77.6% (compared to 75.3% in 2008). Current liabilities are covered by current assets by a factor of 4.4 (5.5 in 2008).

3. Analysis of value added

The breakdown of total operating revenues, more commonly referred to as total Group performance in calculations of value added (using standard methods), is as follows:

(CHF million)	**2009**		2008	
Overall Group performance	**5 435**	**100.0%**	6 696	100.0%
Material and services	**2 653**	**48.8%**	3 815	57.0%
Depreciation	**220**	**4.0%**	220	3.3%
Net added value	**2 562**	**47.2%**	2 661	39.7%
% change	**–3.7**		–8.0	

The breakdown of value added between the different beneficiaries is as follows:

(CHF million)	**2009**		2008	
Employees	**1 596**	**62.3%**	1 633	61.4%
Public authorities	**186**	**7.3%**	168	6.3%
Lenders	**18**	**0.7%**	22	0.8%
Shareholders	**226**	**8.8%**	226	8.5%
Company	**536**	**20.9%**	612	23.0%
Total	**2 562**	**100.0%**	2 661	100.0%

4. Outlook

With the prospect of a continuous recovery of the economic environment and the new developments realized in the last months, the Group is very confident that further solid organic sales growth will be achieved in the year 2010. A promising trend can be identified, based on the excellent sell-through figures in January 2010 as well as the order entries for the months to come. The positive outlook is also backed by the Group's positioning in all market segments and its broad geographical presence. Consumer spending is expected to see a steady increase in most countries, with a growing middle class mainly in the emerging markets supporting this trend.

A positive impact on sales is also expected from Omega's mission as official timekeeper at the Winter Olympics 2010 in Vancouver. Omega has been appointed the official timekeeper of the Olympic Games until 2020. Furthermore the opening of the Swatch Art Peace Hotel mid 2010 during the World Exhibition in the fantastic place of Shanghai will represent another milestone for the Group. The increased positive results of the Group's research and development activities will also contribute to further sales growth.

CONSOLIDATED INCOME STATEMENT

	Notes	**2009** **CHF million**	**%**	2008 CHF million	%
Gross sales		**5 421**	**105.4**	5 966	105.1
Sales reductions		**–279**	**–5.4**	–289	–5.1
Net sales	(5, 6a)	**5 142**	**100.0**	5 677	100.0
Other operating income	(6b)	**104**	**2.0**	231	4.1
Changes in inventories		**9**	**0.2**	513	9.0
Material purchases		**–1 103**	**–21.4**	–1 567	–27.6
Personnel expense	(6c)	**–1 596**	**–31.0**	–1 633	–28.8
Other operating expenses	(6d)	**–1 433**	**–27.9**	–1 799	–31.6
Depreciation, amortization and impairment charges	(10, 11, 12, 18)	**–220**	**–4.3**	–220	–3.9
Operating profit		**903**	**17.6**	1 202	21.2
Other financial income and expense	(6f)	**59**	**1.2**	–179	–3.2
Interest expense	(6f)	**–18**	**–0.4**	–22	–0.4
Share of result from associates and joint ventures	(6f, 13)	**5**	**0.1**	5	0.1
Profit before taxes		**949**	**18.5**	1 006	17.7
Income taxes	(7a)	**–186**	**–3.7**	–168	–2.9
Net income		**763**	**14.8**	838	14.8
Attributable to equity holders of The Swatch Group Ltd		**759**		834	
Attributable to non-controlling interests		**4**		4	
Earnings per share (EPS) – expressed in CHF per share:	(8)				
Registered shares					
Basic EPS		**2.89**		3.15	
Diluted EPS		**2.85**		3.10	
Bearer shares					
Basic EPS		**14.47**		15.75	
Diluted EPS		**14.26**		15.51	

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 CHF million	2008 CHF million
Net income	**763**	838
Other comprehensive income		
Currency translation of foreign operations	**–16**	–95
Income tax relating to currency translation	**0**	0
Cash flow hedges	**0**	1
Income tax relating to cash flow hedges	**0**	0
Other comprehensive income, net of tax	**–16**	–94
Total comprehensive income, net of tax	**747**	744
Attributable to equity holders of The Swatch Group Ltd	**743**	740
Attributable to non-controlling interests	**4**	4

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2009 CHF million	%	31.12.2008 CHF million	%
Non-current assets					
Property, plant and equipment	(10)	**1 460**	**18.9**	1 465	20.2
Investment property	(11)	**39**	**0.5**	39	0.5
Intangible assets	(12)	**320**	**4.2**	308	4.3
Investments in associates and joint ventures	(13)	**139**	**1.8**	127	1.8
Other non-current assets	(15)	**125**	**1.6**	113	1.6
Deferred tax assets	(7d)	**209**	**2.7**	196	2.7
Total non-current assets		**2 292**	**29.7**	2 248	31.1
Current assets					
Inventories	(16)	**2 743**	**35.6**	2 738	37.8
Trade receivables	(17)	**761**	**9.9**	733	10.1
Other current assets	(18)	**241**	**3.1**	283	3.9
Current income tax assets	(7c)	**24**	**0.3**	7	0.1
Marketable securities and derivative financial instruments	(19)	**547**	**7.1**	546	7.6
Cash and cash equivalents	(20)	**1 098**	**14.3**	680	9.4
Total current assets		**5 414**	**70.3**	4 987	68.9
Total assets		**7 706**	**100.0**	7 235	100.0

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	**31.12.2009 CHF million**	**%**	31.12.2008 CHF million	%
Equity					
Share capital	(21a)	**125**		125	
Capital reserves		**213**		213	
Treasury shares	(21b)	**–629**		–629	
Other reserves	(21c)	**–133**		–117	
Retained earnings		**6 389**		5 844	
Equity of The Swatch Group shareholders		**5 965**	**77.4**	5 436	75.1
Non-controlling interests		**16**	**0.2**	15	0.2
Total equity		**5 981**	**77.6**	5 451	75.3
Non-current liabilities					
Financial debts	(22)	**80**	**1.0**	476	6.6
Deferred tax liabilities	(7d)	**337**	**4.4**	333	4.6
Retirement benefit obligations	(23)	**27**	**0.4**	28	0.4
Provisions	(24)	**40**	**0.5**	45	0.6
Total non-current liabilities		**484**	**6.3**	882	12.2
Current liabilities					
Trade payables		**238**	**3.1**	246	3.4
Other current liabilities	(25)	**429**	**5.5**	442	6.1
Financial debts and derivative financial instruments	(22)	**438**	**5.7**	53	0.7
Current income tax liabilities	(7c)	**76**	**1.0**	98	1.4
Provisions	(24)	**60**	**0.8**	63	0.9
Total current liabilities		**1 241**	**16.1**	902	12.5
Total liabilities		**1 725**	**22.4**	1 784	24.7
Total equity and liabilities		**7 706**	**100.0**	7 235	100.0

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes		**2009 CHF million**		2008 CHF million
Operating activities					
Cash generated from operations	(27)	**1 136**		842	
Dividends received from associated companies		**2**		0	
Interest paid		**–15**		–19	
Interest received		**4**		21	
Income tax paid		**–237**		–333	
Cash flow from operating activities			**890**		511
Investing activities					
Investments in tangible assets	(10, 11)	**–220**		–305	
Proceeds from sale of tangible assets		**5**		7	
Investments in intangible assets	(12)	**–25**		–19	
Proceeds from sale of intangible assets		**0**		1	
Investments in other non-current assets	(15)	**–7**		–12	
Proceeds from sale of other non-current assets		**1**		1	
Acquisition of subsidiaries – net of cash	(14)	**–2**		–30	
Divestments of businesses	(14)	**0**		105	
Investments in associated companies	(13)	**–12**		–69	
Deconsolidation of subsidiaries	(14)	**0**		–17	
Purchase of marketable securities		**–149**		–353	
Sale of marketable securities		**174**		193	
Cash flow from investing activities			**–235**		–498
Financing activities					
Dividend paid to shareholders		**–223**		–225	
Dividend paid to non-controlling interests		**–3**		–1	
Purchase of treasury shares		**0**		–361	
Sale of treasury shares		**1**		1	
Change in non-current financial debts[1)]		**–11**		–6	
Change in current financial debts[1)]		**3**		15	
Repurchase of convertible bonds		**–2**		–21	
Cash flow from financing activities			**–235**		–598
Net impact of foreign exchange rate differences on cash			**–2**		–19
Change in cash and cash equivalents			**418**		–604
Change in cash and cash equivalents					
– At beginning of year		**680**		1 284	
– At end of year	(20)	**1 098**	**418**	680	–604

The accompanying notes form an integral part of the consolidated financial statements.

[1)] The reclassification of the convertible bond in 2009 from non-current financial debts to current financial debts (see Note 22) does not have any impact on the cash flow.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF million)	Attributable to The Swatch Group Ltd shareholders Share capital (Note 21)	Capital reserves	Treasury shares (Note 21)	Other reserves (Note 21)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31.12.2007	**129**	**213**	**–821**	**–23**	**5 812**	**5 310**	**19**	**5 329**
Total comprehensive income 2008				–94	834	**740**	4	**744**
Dividends paid					–225	**–225**	–1	**–226**
Share-based compensation (Note 28):								
– Value of employee services (net of tax)					10	**10**		**10**
– Proceeds from shares					1	**1**		**1**
Impact of reclassification to associates (Note 13)					–39	**–39**		**–39**
Changes in non-controlling interests						**0**	–7	**–7**
Share buyback			–361			**–361**		**–361**
Share capital reduction	–4		553		–549	**0**		**0**
Balance at 31.12.2008	**125**	**213**	**–629**	**–117**	**5 844**	**5 436**	**15**	**5 451**
Total comprehensive income 2009				–16	759	**743**	4	**747**
Dividends paid					–223	**–223**	–3	**–226**
Share-based compensation (Note 28):								
– Value of employee services (net of tax)					8	**8**		**8**
– Proceeds from shares					1	**1**		**1**
Balance at 31.12.2009	**125**	**213**	**–629**	**–133**	**6 389**	**5 965**	**16**	**5 981**

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Swatch Group Ltd (the Company) and its subsidiaries (collectively the Group) is active worldwide and represented in the finished watches and jewelry sector with 19 brands in all market and price brackets. In addition, it holds an outstanding industrial position with a high degree of verticalization in the sector of watch movements and components production as well as in the electronic systems sector. During the year, no major changes occurred in the Group structure.
The Company is a limited company incorporated and domiciled in Switzerland. Its registered office is located in Neuchâtel, Faubourg de l'Hôpital 3. The administrative headquartears are in Biel, Seevorstadt 6.
The shares of The Swatch Group Ltd are listed in Switzerland on the Main Market of the SIX Swiss Exchange, under the security numbers 1 225 514 (registered shares) and 1 225 515 (bearer shares). Bearer shares are included in the indices SMI, SPI as well as SLI and registered shares in the indices SPI Extra and SMIM. In addition, Swatch Group shares are also listed on the BX Berne eXchange.
These consolidated financial statements were approved for issue by the Board of Directors on 3 March 2010 and will be submitted to the Annual General Meeting of Shareholders for approval on 12 May 2010.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items such as financial instruments at fair value through profit or loss and derivatives, as disclosed in the accounting policies below. The consolidated financial statements are presented in Swiss Francs (CHF) and all values are rounded to the nearest million, unless otherwise stated.
The consolidated financial statements of the Swatch Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.
The annual closing date for all the individual company accounts is 31 December. For all the companies consolidated, the financial year corresponds to the calendar year.

b. Consolidation policy

The subsidiaries are those entities controlled directly or indirectly by The Swatch Group Ltd, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is generally evidenced by the holding of more than one half of the voting rights of a company's share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Companies are fully consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.
Non-controlling interests in equity and net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are accounted for as equity transactions provided that control continues.
Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Associates are all entities over which the Group has significant influence but not control. This is generally evidenced when the Group owns 20% to 50% of the voting rights or potential voting rights of the company. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the associate. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
The Group's interests in jointly controlled entities (joint ventures) are also reported using the equity method.
At the end of 2009, the Group's consolidated financial statements included 162 legal entities (compared with 161 in the previous year), of which one was a joint venture (one in 2008) and seven were associates (seven in 2008). A full list of consolidated companies is provided in Note 32.

c. Changes in accounting policies

The Group has adopted those new or amended International Financial Reporting Standards (IFRS) and interpretations (IFRIC) mandatory for accounting periods beginning on or after 1 January 2009. The principal effects of these changes in policies are described below.

IFRS 7 (revised) Financial instruments: Disclosures
This amendment was issued in March 2009 and is effective from 1 January 2009. It enhances the disclosures about fair value measurement and liquidity risk. The Group has amended its disclosures relating to the financial risk management accordingly (refer to Note 3).

IFRS 8 Operating segments
As of 1 January 2009, the Group adopted IFRS 8 Operating segments, which replaces IAS 14 Segment Reporting. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any changes in reportable operating segments for the Group, as the segment view is consistent with internal reporting provided to the Management Board. The segment disclosures are shown in Note 5.

IAS 1 (revised) Presentation of financial statements
The revised standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income, presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has decided to present two statements.

IAS 23 (amendment) Borrowing costs
The revised standard requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The Group has amended its accounting policies accordingly and applied the new requirements as of 1 January 2009. This change had no material impact in the financial year 2009.

Improvements to IFRSs
In May 2008 the IASB issued its first collection of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Only the following amendments were relevant to the Group:

- IAS 1 Presentation of financial statements: Assets and liabilities classified as held-for-trading in accordance with IAS 39 are not automatically classified as current in the balance sheet. The Group determined that its marketable securities held-for-trading do not need to be reclassified from current to non-current assets.

- IAS 38 Intangible assets: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. The Group has changed its relevant accounting policy as of 1 January 2009. This amendment did not have a material impact on the Group and did not give rise to a restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following amended standards and new interpretations are mandatory for the first time for accounting periods beginning on or after 1 January 2009, but have no material impact or are currently not relevant for the Group:

- Amendments to IFRS 1 First-time adoption of IFRS and IAS 27 Consolidated and separate financial statements (effective from 1 January 2009)
- IFRS 2 (amendment) Share based payments - Vesting conditions and cancellations (effective from 1 January 2009)
- IAS 32 (amendment) Financial instruments: Presentation - Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009)
- IFRIC 13 Customer loyalty programmes (effective from 1 July 2008)
- IFRIC 15 Agreement for the construction of real estate (effective from 1 January 2009)
- IFRIC 16 Hedges of a net investment in a foreign operation (effective from 1 October 2008)

Standards, interpretations and amendments to existing standards that are not yet effective
Certain new standards, interpretations and amendments to existing standards have been published until the end of 2009 that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but which the Group has not early adopted.

The principal expected effects of these changes are as follows:

IFRS 3 (revised) Business combinations and IAS 27 (revised) Consolidated and separate financial statements
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period of acquisition and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes will affect future acquisitions or loss of control and transactions with non-controlling interests.

IFRS 9 Financial instruments
IFRS 9 was issued in November 2009 and will become effective for financial years beginning on or after 1 January 2013. Early application is permitted. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. The Group is currently assessing the impact of the new standard on its consolidated financial statements and a possible early adoption of the standard.

The Group expects that the adoption of the following pronouncements will have no impact on the Group's financial statements in the period of initial application:

- IAS 24 (amendment) Related party disclosures (effective from 1 January 2011)
- IAS 39 (amendment) Financial instruments: Recognition and measurement – Eligible hedged items (effective from 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective from 1 July 2009)
- IFRIC 19 Extinguishing financial liabilities with equity instruments (effective from 1 July 2010)
- Improvements to IFRSs 2009 (effective from 1 January 2010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Although the Group's operations are worldwide, the product perspective remains the main managerial focus. This is reflected by the Group's divisional management and organizational structure and the Group's internal financial reporting systems.

The Group's activities are organized into numerous individual business units (Profit Centers) which are aggregated in the following three reportable operating segments:

– Watches & Jewelry	Sale of finished watches and jewelry
– Production	Manufacture of watches, watch movements and jewelry
– Electronic Systems	Design, production and commercialization of electronic components, Sports timing activities

The reportable operating segments derive their revenue mainly from the manufacture and sale of products to third parties or to other segments.
Corporate services do not qualify as segment according to IFRS 8 but are shown separately. They include the activities of the Group's holding, finance, research and development, real estate and several other companies, none of which is of a sufficient size to require separate presentation. Elimination of inter-segment sales, income and expense as well as assets and liabilities is shown in the column «Elimination».
Group Management assesses the performance of the operating segments based on net sales and operating profit. Sales to third-party customers are presented separately from sales to other operating divisions, and internal Group sales are recognized at arm's length. Segment expenses are those that can be directly attributed to the segment.
The assets of the segments mainly consist of land and buildings, equipment and machinery, intangible assets, inventories, trade accounts receivable and cash and cash equivalents. Segment liabilities include operating commitments.
For the geographical presentation, sales are reported according to the destinations that appear on the invoices. Non-current assets presented in the geographical information are broken down by location. They include all non-current assets except deferred tax assets and pension plan assets.

e. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss Francs, which is the Company's presentation currency.
Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any gains and losses resulting from these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.
Income statements of Group entities with a functional currency different from the Swiss Franc are translated at average exchange rates as an approximation of exchange rates prevailing at the date of the transaction; balance sheets are translated at the year-end exchange rate. All resulting translation differences are recognized as a separate component of equity in other reserves (Note 21).
On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on the sale.
In the reporting periods, none of the Group entities has the currency of a hyperinflationary economy.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end rate.

The main exchange rates used are:

Currency	Unit	**Average rates 2009 CHF**	**Prevailing rates 31.12.2009 CHF**	Average rates 2008 CHF	Prevailing rates 31.12.2008 CHF
CNY	1	**0.1595**	**0.1521**	0.1563	0.1574
EUR	1	**1.5122**	**1.4880**	1.5841	1.4940
HKD	1	**0.1406**	**0.1339**	0.1390	0.1386
JPY	100	**1.1662**	**1.1215**	1.0570	1.1850
USD	1	**1.0893**	**1.0380**	1.0817	1.0730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

f. Revenue recognition

Revenue is recognized as follows:

Goods and services
Net sales comprise the fair value for the sale of goods and services, net of value-added tax and sales reductions (such as rebates and discounts). Intercompany sales are eliminated on consolidation.
Revenue is recognized when a Group entity has transferred to the customer the significant risks and rewards of ownership of the products and the collectibility of the related receivables is reasonably assured. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract. Revenue from services is recognized in the accounting period in which the service is rendered.

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income
Dividend income is recognized when the right to receive payment is established.

g. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

– Furniture, office machinery, motor vehicles	5 to 8 years
– IT equipment and software	3 to 5 years
– Measuring instruments, tools, equipment for non-mechanical processing automation components	5 to 9 years
– Machines and mechanical production systems, workshop equipment	9 to 15 years
– Factories and workshop buildings	30 years
– Administrative buildings	40 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.
An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.
The position «construction in progress» includes buildings under construction, unrecoverable and attributed down payments on land and buildings as well as attributable borrowing costs.

h. Investment property

Investment properties comprise mainly residential properties. They are held for long-term rental yields and are not occupied by the Group. Some land reserves are held with undetermined use. Investment property is carried at historical cost less accumulated depreciation and any impairment in value. The useful life of residential properties is estimated at 50 years.
Fair values are disclosed in Note 11. They are determined by capitalization of rental income for rented buildings plus an estimated market value of land reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

i. Intangible assets

Goodwill

Goodwill represents the excess of the acquisition price over the fair value of the Group's share of net identifiable assets of the acquired company at the date of acquisition. Goodwill is tested annually for impairment and in addition, when indications of impairment exist, and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment (see Note 12).

Capitalized development costs

Research costs are not capitalized but expensed when incurred. Development costs are capitalized if they can be identified as an intangible asset that is expected to generate future economic benefits, and the cost can be measured reliably. Other development costs are expensed as incurred. Once a product enters into commercial production, the capitalized development costs are amortized on a straight-line bases over the estimated useful life (maximum five years).

Other intangible assets

In addition, the heading intangible assets includes:

– Licenses purchased granting rights to use new technologies or software. They are amortized over their useful life.
– Internally developed software and software implementation costs. These costs are recognized as an intangible asset if it is probable that they generate future economic benefits. The costs include software development employee costs and an appropriate portion of related overheads. The capitalized costs are amortized on a straight-line basis over the estimated useful life (maximum five years).
– Key money paid for strategically located retail shops. If their value can be demonstrated by the presence of a market, they are capitalized as intangible assets. They are not amortized but tested for impairment at least annually. On the other hand, key money that is not refundable or refundable only upon certain conditions being met is treated as prepaid rent and included in "Other non-current assets" (see Note 15).
– Customer relationships and unpatented technologies acquired in business combinations. They are amortized over a period of up to 15 years.

j. Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization as well as assets not yet ready for use are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The latter is calculated by estimating the future cash flows generated by the asset and discounting them with a risk-adjusted pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

k. Financial assets

Regular purchases and sales of investments are based on the settlement date principle. Marketable securities are initially recorded at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.
The Group classifies its financial assets, principally investments, in the following categories: financial assets at fair value through profit or loss (FVTPL) as well as loans and receivables. The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss (FVTPL)
All the Group's current investments are classified as financial assets at fair value. Some of these financial assets have been designated by management as FVTPL. All other investments are classified as financial assets held for trading. A financial asset is classified in this sub-category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are specifically designated as hedges. All realized and unrealized gains and losses arising from changes in the fair value are recognized in the income statement.
The category financial assets at fair value through profit or loss consists of marketable securities and derivative financial instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are measured at cost less appropriate impairment losses.
The category loans and receivables consists of trade receivables, other current receivables, security deposits as well as other financial assets.

Summary of financial assets
The following table shows the carrying amount and the fair value of Group assets that are considered as financial assets:

	31.12.2009		31.12.2008	
(CHF million)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Security deposits (Note 15)	**28**	**28**	23	23
Other financial assets (Note 15)	**5**	**5**	5	5
Trade receivables (Note 17)	**761**	**761**	733	733
Other current receivables (Note 18)	**87**	**87**	185	185
Loans and receivables	**881**	**881**	946	946
Marketable securities designated as FVTPL	**16**	**16**	15	15
Marketable securities held-for-trading	**528**	**528**	515	515
Derivative financial assets	**3**	**3**	16	16
Financial assets at fair value (Note 19)	**547**	**547**	546	546
Cash and cash equivalents (Note 20)	**1 098**	**1 098**	680	680
Cash and cash equivalents	**1 098**	**1 098**	680	680
Total financial assets	**2 526**	**2 526**	2 172	2 172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group applies the following 3-level hierarchy to its financial assets at fair value. The fair value of financial assets that are quoted in active markets (level 1) is determined based on current bid prices. The fair value of unquoted financial assets is determined by valuation models on the basis of observable market data or benchmarking to comparable instruments (level 2). Valuation upon theoretical assumptions is used where market data or benchmarking is not available (level 3), which is the case for the Group's private equity investments.

The following table summarizes the fair value levels of the Group's financial assets at fair value:

	31.12.2009				31.12.2008			
(CHF million)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Marketable securities designated as FVTPL	**4**	**0**	**12**	**16**	3	0	12	15
Marketable securities held-for-trading	**528**	**0**	**0**	**528**	515	0	0	515
Marketable securities at fair value	**532**	**0**	**12**	**544**	518	0	12	530
Derivative financial assets	**0**	**3**	**0**	**3**	0	16	0	16
Financial assets at fair value	**532**	**3**	**12**	**547**	518	16	12	546

In 2009 and 2008, there were no material purchases, sales or transfers of financial assets at fair value categorized in level 3.

l. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average price method. Some companies, particularly those in the Production segment, value their inventories using the standard cost method. As these costs are regularly reviewed and adjusted, this method approximates the results of the weighted average price method. The valuation of spare parts for customer service is confined to those units that are considered likely to be used, based on historical demand.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the applicable variable selling expenses.

m. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

n. Trade receivables

Trade receivables are recognized and carried at the original invoice amount less an allowance for any impaired receivables, which approximates amortized cost. Provision is made for balances overdue more than 12 months or for receivables where specific risks have been identified. Bad debts are written off when there is objective evidence that the Group will not be able to collect the receivables.

o. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of short-term bank overdrafts.

p. Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares each with a nominal value of CHF 0.45 and of bearer shares each with a nominal value of CHF 2.25. Other than the higher voting power of registered shares, no differences in terms of shareholder rights exist between the two categories.
Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

q. Financial debts

Financial debts are initially recognized at fair value, including transaction costs incurred. Financial debts are subsequently stated at amortized cost.
The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and, in this case, has been recognized and included in equity, net of income tax effects. Transaction costs are apportioned between the liability and equity components of the convertible bonds, based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.
Financial debts are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Summary of financial liabilities

The following table shows the carrying amount and the fair value of Group liabilities that are considered as financial liabilities:

(CHF million)	**31.12.2009** Carrying amount	**31.12.2009** Fair value	31.12.2008 Carrying amount	31.12.2008 Fair value
Non-current financial debts (Note 22)	**80**	**82**	476	490
Trade payables	**238**	**238**	246	246
Other current payables (Note 25)	**82**	**82**	112	112
Current financial debts (Note 22)	**437**	**445**	50	50
Financial liabilities measured at amortized cost	**837**	**847**	884	898
Derivative financial instruments (Note 22)	**1**	**1**	3	3
Financial liabilities at fair value	**1**	**1**	3	3
Total financial liabilities	**838**	**848**	887	901

All fair values of the Group's financial liabilities at fair value are based on observable market data (level 2).

r. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value and related transaction costs expensed in the income statement. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivatives can be designated as hedges of a risk associated with a highly probable forecast transaction (cash flow hedge).
The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The Group uses cash flow hedge accounting for forecasted intragroup transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement respectively within the financial result.
Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of derivatives hedging purchases is recognized in the income statement within material purchases.
When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives at fair value through profit or loss

Derivatives not designated as hedging instruments are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognized immediately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

s. Income taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.
Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.
Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized.
Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

t. Pensions and other post-employment benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Group pension plans in Switzerland are accounted for as defined benefit plans.
Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.
Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.
The net asset / liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Other post-employment benefits

A small number of Group companies provide post-retirement medical care benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, similar to the accounting for defined benefit plans.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

u. Provisions

Provisions are recognized:
– when the Group has a present legal or constructive obligation as a result of past events
– when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
– when a reliable estimate of the amount of the obligation can be made

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

v. Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. Under the terms of this plan, share options are granted to managers and employees who distinguished themselves by a particular strong commitment to the company or an above-average performance. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted (calculated using the «Black-Scholes» model), excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.
A tranche of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. Equity increases by the corresponding amounts of employee service cost over the vesting period. The proceeds received net of any transaction cost are credited to equity when the options are exercised.
The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 8).

w. Leases

Finance leases
A finance lease is where the lessor transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased item. At the inception of the lease, finance leases are capitalized at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income statement. Capitalized leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

Operating leases
An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

x. Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

y. Comparatives

Certain prior-year figures have been extended from the version presented in the prior year annual report, in order to take into account current year presentational changes. There was no impact on the balance sheet and income statement in the years under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management

a. Financial risk factors

In view of the global and varied nature of its activities, the Group is exposed to financial market risk (including foreign currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk.
The Group's financial risk management is essentially focused on identifying and analyzing exchange rate risk, with the aim of minimizing its impact on Group earnings before taxes and net income. In order to hedge exchange rate risk, the Group uses derivative financial instruments such as forward currency contracts or currency options.
Risk management is conducted by the central treasury department (Group Treasury), which follows the directives issued by the Group's management bodies. Risks are assessed in collaboration with the operating units and the hedging methods are decided and implemented under the regular supervision of the Group's Top Management.

1. Market risk

The Group is exposed to market risk, primarily related to foreign exchange, interest rates and the market value of investments of liquid funds. The Group actively monitors these exposures. To manage the volatility relating to these exposures, the Group uses a variety of derivative financial instruments, such as foreign exchange forward contracts or options. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and market rates of investments of liquid funds. It is the Group's policy and practice to use derivative financial instruments to manage exposures and to enhance the yield on the investment of liquid funds.

1.1 Foreign exchange risk

The Group's consolidated financial statements are published in Swiss Francs. As foreign exchange risks are managed centrally by the treasury department (Group Treasury), the local entities are not significantly exposed to specific foreign exchange risks. The foreign exchange risks arise primarily from fluctuation of currencies against the Swiss Franc, mainly the Euro, the US Dollar, the Chinese Yuan as well as the Japanese Yen. Consequently, the Group may enter into various contracts that reflect the changes in the value of foreign exchange rates to preserve the value of assets, commitments and anticipated transactions. The Group also uses forward contracts and foreign currency option contracts to hedge certain anticipated net revenues in foreign currencies. Group companies enter into special exchange rate agreements with the Group's treasury department guaranteeing a standard exchange rate for a term of one month. The treasury department, for its part, is responsible for hedging net positions in foreign currencies with external counterparties.

Sensitivity analysis on foreign exchange risk

Financial instruments affected by foreign exchange risk include trade and other receivables, trade and other payables, financial debts, marketable securities, cash and cash equivalents including third party as well as intercompany transactions.
The size of the exposure sensitive to changes in the exchange rates can fluctuate significantly, so the position at the balance sheet date may not be representative for the financial period on average.
The illustrative effect on earnings after tax that would result from reasonably possible changes in exchange rates can be summarized as follows:

	31.12.2009			31.12.2008		
	Change on exchange rate	**Income statement CHF million**		Change on exchange rate	Income statement CHF million	
Currency	**+ / -**	**+**	**–**	+ / -	+	–
CNY / CHF	**5%**	**1**	**–2**	5%	5	–3
EUR / CHF	**5%**	**10**	**–7**	5%	12	–1
HKD / CHF	**5%**	**1**	**–1**	5%	–5	3
JPY / CHF	**5%**	**1**	**1**	5%	–5	–1
USD / CHF	**5%**	**3**	**–3**	5%	3	–3

As no items are recognized directly in equity, the illustrative impact on equity of the changes in exchange rates shown above is zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2 Price risk

1.2.1 Commodities

The Group has a certain exposure to commodity price risk relating to the purchase of precious metals and gems, which are used in its manufacturing processes. The Group does not enter into significant commodity futures, forward and option contracts to manage fluctuations in prices of anticipated purchases.

1.2.2 Equity investment risk

The Group purchases equity instruments as investments of its liquid funds. Such instruments are recognized as marketable securities. Potential investments need to comply with the asset allocation and portfolio limit structure defined by the Group's management bodies. According to its policy, the Group limits its holdings in equity investments to 10% of its liquid funds. They are thoroughly analyzed in respect to their past financial track record (mainly cash flow return on investment), their market potential, their management and their competitors. Call options are written on equities that the Group owns and put options are written on equities that the Group wants to buy and for which cash has been reserved.

Sensitivity analysis on equity investment risk

The table below summarizes the impact of increases/decreases of the main equity indexes on the Group's earnings after tax for the year. There is no impact exclusively on equity as none of the equity investments are classified in a financial assets category where the result is recognized directly in equity. The analysis is based on the assumption that the equity indexes had increased/decreased by a certain percentage with all other variables held constant and that all the Group's equity instruments moved according to the historical correlation with the index.

	31.12.2009			31.12.2008		
	Change on index	**Income statement CHF million**		Change on index	Income statement CHF million	
Index	**+ / -**	**+**	**–**	+ / -	+	–
Dow Jones	**5%**	**2**	**–2**	5%	1	–1
SMI + SPI	**5%**	**4**	**–4**	5%	3	–3

Earnings after tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

2. Credit risk

Credit risks in respect of customers arise when they may not be able to settle their obligations as agreed. The credit standing of commercial partners defined in the Group's client credit policy is periodically reviewed at Group level. As there is no independent rating for most customers, their credit quality is assessed by local credit control departments taking into account their financial position, past experience and other factors. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

In the context of securities trading, the Group guards against the risk of default by implementing directives that impose minimum credit ratings for investments in tradable securities. In general, issuer risk is minimized by only buying securities which are investment grade rated. As at 31 December 2009, over 90% of investments in bonds were investment grade rated (2008: over 85%). An exception in the overall fixed income management is the high yield portfolio, which amounted to approximately CHF 35 million in 2009 (2008: about CHF 40 million). In 2009 and 2008, over 80% of the Group's equity investments were related to shares listed on a main index (SMI/SPI, Dow Jones, S&P 500, Nikkei). The Group's management regularly monitors strict compliance with these directives.

Counterparty risk is also minimized by ensuring that all derivative financial instruments, money market investments and current account deposits are placed with financial institutions whose credit standings are usually at least A-. Exposure to this type of risk is closely monitored by Group management and is contained within strict and pre-determined limits.

Given the very high standards of creditworthiness applied to the commercial and financial partners, the default risks to which the Group is exposed are estimated to be limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. The close monitoring of liquidity at Group level and of the allocation of resources allows the Group's treasury department to maintain adequate levels of liquidity at all times. In order to meet any exceptional liquidity requirements, the Group maintains lines of credit with a number of financial institutions.

As at the balance sheet date, the available liquidity can be summarized as follows:

(CHF million)	**31.12.2009**	31.12.2008
Cash and cash equivalents	**1 098**	680
Marketable securities	**544**	530
Liquidity reserves	**1 642**	1 210
Committed credit facilities	**418**	613
./. Utilized credit facilities	**–127**	–137
Total liquidity reserves and non-utilized credit facilities	**1 933**	1 686

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(CHF million)	**less than 1 year**	**1–5 years**	**over 5 years**
Non-current financial debts	**2**	**5**	**86**
Trade payables	**238**		
Other current payables	**82**		
Current financial debts	**447**		
Derivative financial instruments	**521**		
Total at 31.12.2009	**1 290**	**5**	**86**
Non-current financial debts	12	402	98
Trade payables	246		
Other current payables	112		
Current financial debts	50		
Derivative financial instruments	565		
Total at 31.12.2008	985	402	98

4. Interest rate risk

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its net exposure to interest rate risk through the proportion of fixed rate debt and variable rate debt in its total debt portfolio.

Due to a comfortable liquidity situation and, as most of the financial debts are issued at fixed rates, interest rate fluctuations do not have a major impact on the Group's financial results.

In the context of balance sheet liabilities management, the Group has not used interest rate swaps during the two years under review, and there are no outstanding positions relating to interest rate swaps in the Group's financial statements.

Sensitivity analysis on bond investment risk

Changes in the market interest rates affect the fair value of bond securities classified in the category financial assets at fair value through profit or loss. The sensitivity analysis presented below is based on the assumption that the interest rates had increased/decreased by 100 basis points for all currencies with all other variables held constant.

At 31 December 2009, an increase of interest rates by 100 basis points would have reduced Group profit after tax by CHF 9 million (2008: CHF 9 million). On the other hand, a decrease of interest rates by 100 basis points would have increased Group profit after tax by CHF 9 million (2008: CHF 9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Capital management

The primary objective of the Group's management is to maintain a strong equity base in order to maintain investor, creditor and market confidence and to sustain future development of the business. As at 31 December 2009, equity represented 77.6% (31 December 2008: 75.3%) of total assets.
The Group's Top Management reviews the capital structure of the Group and the equity of its subsidiaries on a regular basis. As part of the review, management considers the evolution of the capital structure and the risks associated with each of its classes.
To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new debt or redeem existing debt. There were no changes in the Group's approach to capital management during the year. Neither The Swatch Group Ltd nor any of its subsidiaries are subject to externally imposed capital requirements.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are stated below.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use and therefore of the expected future cash flows of the cash-generating units to which the goodwill is allocated. Furthermore, a suitable discount rate is applied in order to calculate the present value of those cash flows. More details are given in Note 12.

Taxes and duties
The Group is subject to various taxes, levies and duties in numerous jurisdictions. In this respect the Group and its subsidiary companies are regularly exposed to audits by the various governmental bodies and authorities, where the outcome of findings particularly in the area of transfer pricing depends very often on individual judgments. Considerable judgment is required in determining tax provisions. Liabilities for anticipated tax audit issues are recognized based on estimates of whether additional taxes will be due. These estimates could prove to be too pessimistic, or in a negative scenario, additional tax liabilities would have to be recorded in the future.
Furthermore, the capitalization of deferred tax assets is based on assumptions about the future profitability of certain Group companies. There is an inherent risk that these estimates made by management may turn out to be too optimistic or too pessimistic.

Allowance for impaired receivables
To cover any shortfalls from current trade receivables, the Group records an allowance for impaired receivables based on historical information and on estimates in regard to the solvency of customers. Unexpected financial problems of major customers could lead to the situation where the recorded allowance is insufficient.

Warranty claims
The Group generally offers a two-year warranty for watches. Management estimates the related provision for future warranty claims mainly based on historical warranty claim statistics. Factors that could impact these estimates include the success of the Group's quality initiatives, parts and labour costs as well as customer behaviour. Any material change of these factors could result in higher or lower warranty costs for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Legal claims
Some Group companies are involved in litigation and disputes arising from the ordinary course of their business. Management estimated the outcome of these lawsuits on the basis of facts known at the time of closing the books and recorded adequate provisions in line with IAS 37. However, there is an inherent risk that legal claims from adversary parties are successful and may cause a significant future liability. Moreover, the Group being listed on the Swiss Stock Exchange also finds itself under permanent review regarding the observation of all rules and regulations. Despite the considerable effort to comply with the increasing number of laws, rules and regulations at all times and on all levels in all countries in which the Group develops activities, there remains a certain risk of oversight which could impact future earnings.

Other factors
The Group and its management is extremely sensitive to all sorts of risks of a globally operating Group with more than 160 affiliated companies in more than 30 countries around the globe. Despite considerable effort in assessing and managing risks on a constant basis, there are many imponderables which could develop a negative impact on the result of a future period.

b. Critical judgments in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Inventory abatements
In determining net realizable values of inventory, management had to use judgment as to whether or not inventory abatements are necessary. Especially for spare parts used in customer service, but also for some watch components and finished goods, judgment calls were made in order to determine a realistic value for these inventory items. Unexpected changes in fashion, technology and customer needs could lead to situations where the actual inventory abatements would need to be increased.

Impairment of assets
Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management determines the amount of impairment losses by applying judgment in regard to the recoverable amount and the future use of an impaired asset. If external factors such as market, technology, etc. change in a way not anticipated by management, there is a risk that additional impairment losses will have to be recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Segment information

a. Operating segment information

Income statement

2009 (CHF million)	**Watches & Jewelry**	**Production**	**Electronic Systems**	**Corporate**	**Elimination**	**Total**
– Third parties	**4 426**	**608**	**380**	**7**		**5 421**
– Group	**3**	**881**	**14**	**4**	**–902**	**0**
Gross sales	**4 429**	**1 489**	**394**	**11**	**–902**	**5 421**
– Third parties	**4 184**	**576**	**377**	**5**		**5 142**
– Group	**3**	**853**	**14**	**4**	**–874**	**0**
Net sales	**4 187**	**1 429**	**391**	**9**	**–874**	**5 142**
Operating profit	**804**	**94**	**24**	**–19**		**903**
– As a % of net sales	**19.2**	**6.6**	**6.1**			**17.6**
– As a % of total	**89.0**	**10.4**	**2.7**	**–2.1**		**100.0**

2008 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
– Third parties	4 794	659	505	8		5 966
– Group	2	1 151	25	4	–1 182	0
Gross sales	4 796	1 810	530	12	–1 182	5 966
– Third parties	4 545	624	501	7		5 677
– Group	2	1 118	25	4	–1 149	0
Net sales	4 547	1 742	526	11	–1 149	5 677
Operating profit	828	281	104	–11		1 202
– As a % of net sales	18.2	16.1	19.8			21.2
– As a % of total	68.9	23.4	8.6	–0.9		100.0

Balance sheet and other information

2009 (CHF million)	**Watches & Jewelry**	**Production**	**Electronic Systems**	**Corporate**	**Elimination**	**Total**
Balance sheet						
– Segment assets	**4 428**	**1 660**	**695**	**2 523**	**–1 739**	**7 567**
– Equity in associated companies and joint ventures				**139**		**139**
Total assets	**4 428**	**1 660**	**695**	**2 662**	**–1 739**	**7 706**
Total liabilities	**–1 566**	**–576**	**–153**	**–1 169**	**1 739**	**–1 725**
Net assets	**2 862**	**1 084**	**542**	**1 493**	**0**	**5 981**
Other information						
Capital expenditure	**82**	**118**	**24**	**25**		**249**
Depreciation on tangible assets	**–61**	**–109**	**–31**	**–6**		**–207**
Amortization on intangible assets	**–5**	**–4**	**–3**	**–1**		**–13**
Impairment charges	**0**	**0**	**0**	**0**		**0**
Interest income	**3**	**1**	**0**	**15**	**–15**	**4**
Interest expenses	**–14**	**–4**	**–1**	**–14**	**15**	**–18**
Share of result from associates and joint ventures				**5**		**5**
Income taxes	**–161**	**–16**	**–2**	**–7**		**–186**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2008 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
Balance sheet						
– Segment assets	4 208	1 720	721	2 266	– 1 807	7 108
– Equity in associated companies and joint ventures				127		127
Total assets	4 208	1 720	721	2 393	– 1 807	7 235
Total liabilities	– 1 659	– 639	– 180	– 1 113	1 807	– 1 784
Net assets	2 549	1 081	541	1 280	0	5 451
Other information						
Capital expenditure	101	152	59	19		331
Depreciation on tangible assets	– 59	– 105	– 36	– 4		– 204
Amortization on intangible assets	– 5	– 5	– 4	0		– 14
Impairment charges	0	– 1	– 1	0		– 2
Interest income	10	3	6	49	– 45	23
Interest expenses	– 26	– 10	– 3	– 28	45	– 22
Share of result from associates and joint ventures				5		5
Income taxes	– 172	– 53	– 5	62		– 168

b. Information on geographical regions

	2009		2008	
(CHF million)	**Net sales**	**Non-current assets**	Net sales	Non-current assets
Switzerland	**914**	**1 378**	958	1 410
Other Europe	**1 412**	**259**	1 734	231
Total Europe	**2 326**	**1 637**	2 692	1 641
Greater China	**1 430**	**121**	1 315	91
Other Asia	**843**	**236**	1 006	254
Total Asia	**2 273**	**357**	2 321	345
Total America	**424**	**20**	545	16
Total Oceania	**71**	**2**	71	2
Total Africa	**48**	**3**	48	
Total	**5 142**	**2 019**	5 677	2 004

Non current assets under the caption "Other Asia" include CHF 197 million (previous year CHF 210 million) relating to Japan, consisting mainly of the investment in the N. G. Hayek Building in Tokyo.

c. Significant customers

The Group has a large number of customers; no single external customer accounts for more than 10% of the Group's net sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenues and expenses

a. Analysis of sales revenue

(CHF million)	**2009**	2008
Sales of goods	**5 109**	5 651
Rendering of services	**33**	26
Total net sales	**5 142**	5 677

b. Other operating income

In 2009, other operating income amounted to CHF 104 million (2008: CHF 231 million). The decrease is mainly due to the absence of timekeeping services rendered in 2008 for the Olympics, but also to gains on disposal of businesses in 2008 as set out in Note 14.

c. Personnel expense

(CHF million)	**2009**	2008
Wages and salaries	**1 316**	1 369
Social security costs	**213**	223
Share-based compensation (Note 28)	**8**	10
Pension costs – defined benefit plans (Note 23)	**53**	25
Pension costs – defined contribution plans (Note 23)	**6**	6
Other post-employment benefits (Note 23)	**0**	0
Total personnel expense	**1 596**	1 633

The development of the headcount is summarized in the following table:

(Unaudited)	**2009**	2008
Average annual headcount	**23 727**	24 269
Total headcount at 31 December	**23 562**	24 270
Men	**10 703**	10 937
Women	**12 859**	13 333
Swiss contracts	**12 766**	13 189
Non-Swiss contracts	**10 796**	11 081

Headcount is expressed as the number of employment contracts. The number of employees includes home workers, trainees and auxiliary staff.

d. Other operating expenses

(CHF million)	**2009**	2008
Marketing, sales and administration	**775**	924
Subcontracting and other direct costs of sales	**250**	348
Maintenance, rents and energy	**374**	396
Other operating expenses	**34**	131
Total other operating expenses	**1 433**	1 799

e. Research and development costs

Research and development (R&D) costs amounted to CHF 149 million in 2009, representing 2.9% of net sales (compared with CHF 161 million or 2.8% in 2008).

f. Net financial result

(CHF million)	**2009**	2008
Interest income	**4**	23
Result from marketable securities designated as FVTPL	**–3**	–5
Result from marketable securities held-for-trading and derivatives	**61**	–158
Net currency result	**0**	–35
Other financial expense	**–3**	–4
Other financial income and expense	**59**	–179
Interest on convertible bond	**–13**	–14
Other interest	**–5**	–8
Interest expense	**–18**	–22
Share of result from associates and joint ventures	**5**	5
Net financial result	**46**	–196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Income taxes

a. Income tax expenses

(CHF million)	2009	2008
Current income taxes	**199**	228
Adjustments recognized for current income taxes of prior periods	**–2**	1
Deferred taxes	**–11**	–61
Total income taxes	**186**	168

b. Reconciliation of the Group's effective tax rate

Since the Group operates worldwide, it is subject to income taxes in many different tax jurisdictions. The Group calculates its average expected tax rate as a weighted average of tax rates in the relevant tax jurisdictions.

	2009	2008
	%	%
Group's average expected tax rate	**19.6**	21.2
Tax effect of:		
– Change in the applicable tax rate on temporary differences	**–0.1**	–0.8
– Recognition of tax losses not recognized in prior years	**0.0**	0.0
– Utilization of previously unrecognized tax losses	**–0.1**	0.0
– Unrecognized current year tax losses	**1.2**	0.3
– Non-taxable income	**–0.3**	–0.6
– Non-tax-deductible expenses	**0.3**	1.2
– Items taxable at reduced rates	**–0.4**	–1.1
– Adjustments recognized for current taxes of prior periods	**–0.2**	0.1
– Other items	**–0.4**	–3.6
Group's effective tax rate	**19.6**	16.7

In 2008, other items included a tax effect of –6.7% following the settlement of tax disputes and +2.5% relating to a reversal of unrecognized deferred taxes on IC participations and loans in application of IAS 12.39.

c. Current income tax

(CHF million)	2009	2008
Net current income tax liability		
Balance at 1 January	**–91**	–198
Recognized in income statement	**–197**	–229
Recognized in equity	**–1**	1
Income taxes paid	**237**	333
Change in scope of consolidation	**0**	0
Translation differences	**0**	2
Balance at 31 December	**–52**	–91
thereof current income tax assets	**24**	7
thereof current income tax liabilities	**–76**	–98

d. Deferred tax

Deferred tax assets and liabilities are offset within legal entities when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The position of net deferred tax liability can be reconciled as follows:

(CHF million)	2009	2008
Net deferred tax liability		
Balance at 1 January	**–137**	–194
Recognized in income statement	**11**	61
Recognized in equity	**0**	0
Business combinations (Note 14)	**0**	–3
Divestment of businesses (Note 14)	**0**	3
Translation differences	**–2**	–4
Balance at 31 December	**–128**	–137
thereof deferred tax assets	**209**	196
thereof deferred tax liabilities	**–337**	–333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets resulting from deductible temporary differences, tax credits or tax loss carryforwards are recognized only to the extent that realization of the related tax benefit is probable. Temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities have been recognized, as the differences are permanent in nature, amounted to CHF 766 million (previous year: CHF 717 million).

The deferred tax assets and liabilities relate to the following balance sheet items:

	31.12.2009			31.12.2008		
Source (CHF million)	**Assets**	**Liabilities**	**Net amount**	Assets	Liabilities	Net amount
Inventories	**152**	**–218**	**–66**	148	–222	–74
Trade and other receivables	**4**	**–11**	**–7**	4	–13	–9
Property, plant and equipment	**13**	**–78**	**–65**	17	–75	–58
Intangible assets	**6**	**–6**	**0**	2	–5	–3
Provisions	**6**	**–17**	**–11**	6	–16	–10
Retirement benefit obligations	**3**	**–13**	**–10**	4	–10	–6
Tax losses	**37**		**37**	25		25
Other	**21**	**–27**	**–6**	21	–23	–2
Total deferred tax assets (liabilities)	**242**	**–370**	**–128**	227	–364	–137
Deferred tax assets on the balance sheet			**209**			196
Deferred tax liabilities on the balance sheet			**–337**			–333

The gross value of unused tax loss carryforwards which have, or have not, been recognized as deferred tax assets, with their expiry dates is as follows:

(CHF million)	**Not recognized**	**Recognized**	**Total 2009**
One year	10	3	**13**
Two years	7	3	**10**
Three years	12	4	**16**
Four years	15	2	**17**
Five years	25	25	**50**
Six years	16	12	**28**
More than six years	65	79	**144**
Total at 31.12.2009	**150**	**128**	**278**

(CHF million)	Not recognized	Recognized	Total 2008
One year	4	4	8
Two years	8	5	13
Three years	7	4	11
Four years	12	1	13
Five years	15	2	17
Six years	23	5	28
More than six years	63	58	121
Total at 31.12.2008	132	79	211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Earnings per share

a. Basic

	2009	2008
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	**759**	834
Percentage of registered shares outstanding in comparison with the share capital outstanding	**42.1%**	42.2%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	**57.9%**	57.8%
Registered shares		
Net income attributable to registered shareholders (CHF million)	**320**	352
Average number of shares outstanding	**110 446 207**	111 605 632
Basic earnings per share (in CHF)	**2.89**	3.15
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	**439**	482
Average number of shares outstanding	**30 335 000**	30 596 542
Basic earnings per share (in CHF)	**14.47**	15.75

b. Diluted

	2009	2008
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	**759**	834
Interest expense on convertible debt (CHF million)	**13**	14
Net income used to determine diluted EPS (CHF million)	**772**	848
Percentage of diluted registered shares in comparison with the diluted share capital outstanding	**44.0%**	44.0%
Percentage of diluted bearer shares outstanding in comparison with the diluted share capital outstanding	**56.0%**	56.0%
Registered shares		
Net income attributable to registered shareholders (CHF million)	**340**	373
Average number of shares outstanding – basic (as above)	**110 446 207**	111 605 632
Potentially dilutive number of shares from convertible bond	**8 398 368**	8 398 368
Potentially dilutive number of shares from options outstanding	**198 511**	199 642
Average number of shares outstanding – diluted	**119 043 086**	120 203 642
Diluted earnings per share (in CHF)	**2.85**	3.10
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	**432**	475
Average number of shares outstanding	**30 335 000**	30 596 542
Diluted earnings per share (in CHF)	**14.26**	15.51

9. Dividends paid and proposed

On 15 May 2009, the Annual General Meeting approved the distribution of a dividend of CHF 0.85 per registered share and CHF 4.25 per bearer share. The distribution to holders of outstanding shares totaled CHF 223 million (2008: CHF 225 million) and has been recorded against retained earnings in 2009.

At the Annual General Meeting on 12 May 2010, payment of the following dividends for 2009 will be proposed:

	Registered	**Bearer**
Dividend per share	CHF 0.80	CHF 4.00
Total dividend	CHF 99 236 000	CHF 123 360 000

The financial statements ending 31 December 2009 do not take into account this proposed dividend. Dividends will be treated as a distribution of available earnings during the financial year 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

(CHF million)	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings**	**Advances and construction in progress**	**Total**
Historical cost, 1 January 2009	**1 084**	**2 626**	**393**	**31**	**4 134**
Translation differences	–11	–1	–1		**–13**
Business combinations (Note 14)					**0**
Divestments of businesses (Note 14)					**0**
Additions	31	147	33	6	**217**
Disposals	–1	–71	–17		**–89**
Transfers	27	14	–16	–28	**–3**
Historical cost, 31 December 2009	**1 130**	**2 715**	**392**	**9**	**4 246**
Accumulated depreciation, 1 January 2009	**–482**	**–1 938**	**–248**	**–1**	**–2 669**
Translation differences	1	1	1		**3**
Annual depreciation	–25	–147	–34		**–206**
Impairment					**0**
Depreciation on disposals		68	15		**83**
Depreciation on divestments of businesses					**0**
Transfers	–1	–8	11	1	**3**
Accumulated depreciation, 31 December 2009	**–507**	**–2 024**	**–255**	**0**	**–2 786**
Net book value, 31 December 2009	**623**	**691**	**137**	**9**	**1 460**

Insured value	**5 002**
Net book value of property, plant and equipment under finance lease contracts	**0**
Total non-current assets pledged to guarantee the commitments of Group companies	**83**

(CHF million)	Land and buildings	Plant and machinery	Other fixtures and fittings	Advances and construction in progress	Total
Historical cost, 1 January 2008	986	2 569	387	53	3 995
Translation differences	22	–38	–14		–30
Business combinations (Note 14)	16	14	1		31
Divestments of businesses (Note 14)	–2	–60	–2		–64
Additions	22	206	40	26	294
Disposals		–74	–18		–92
Transfers	40	9	–1	–48	0
Historical cost, 31 December 2008	1 084	2 626	393	31	4 134
Accumulated depreciation, 1 January 2008	–463	–1 932	–242	–1	–2 638
Translation differences	3	30	10		43
Annual depreciation	–22	–147	–33		–202
Impairment		–1			–1
Depreciation on disposals		69	16		85
Depreciation on divestments of businesses		43	1		44
Transfers					0
Accumulated depreciation, 31 December 2008	–482	–1 938	–248	–1	–2 669
Net book value, 31 December 2008	602	688	145	30	1 465

Insured value	4 832
Net book value of property, plant and equipment under finance lease contracts	1
Total non-current assets pledged to guarantee the commitments of Group companies	94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Investment property

(CHF million)	**2009**	2008
Historical cost, 1 January	**67**	60
Additions	**0**	7
Disposals	**0**	0
Transfers	**1**	0
Historical cost, 31 December	**68**	67
Accumulated depreciation, 1 January	**–28**	–26
Annual depreciation	**–1**	–2
Impairment	**0**	0
Depreciation on disposals	**0**	0
Transfers	**0**	0
Accumulated depreciation, 31 December	**–29**	–28
Net book value, 31 December	**39**	39
Rental income	**4**	4
Direct operating expenses arising from investment properties that generated rental income	**–3**	–3
Direct operating expenses arising from investment properties that did not generate rental income	**0**	0

Based on capitalized rental income for rented buildings plus an estimated market value for land reserves, the fair value of the investment properties is estimated at CHF 76 million at 31 December 2009 compared to CHF 68 million at 31 December 2008. No external independent valuation has been performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Intangible assets

(CHF million)	**Goodwill**	**Capitalized development costs**	**Other intangible assets**	**Total**
Historical cost, 1 January 2009	**204**	**44**	**168**	**416**
Translation differences				**0**
Business combinations (Note 14)	2			**2**
Divestments of businesses (Note 14)				**0**
Additions		13	12	**25**
Disposals		–4	–19	**–23**
Transfers			2	**2**
Historical cost, 31 December 2009	**206**	**53**	**163**	**422**
Accumulated amortization, 1 January 2009	**0**	**–17**	**–91**	**–108**
Translation differences				**0**
Annual amortization		–3	–10	**–13**
Impairment				**0**
Amortization on disposals		2	19	**21**
Amortization on divestments of businesses				**0**
Transfers			–2	**–2**
Accumulated amortization, 31 December 2009	**0**	**–18**	**–84**	**–102**
Net book value, 31 December 2009	**206**	**35**	**79**	**320**

(CHF million)	Goodwill	Capitalized development costs	Other intangible assets	Total
Historical cost, 1 January 2008	232	33	170	435
Translation differences	–1		–8	–9
Business combinations (Note 14)	6	2	4	12
Divestments of businesses (Note 14)	–33		–3	–36
Additions		10	9	19
Disposals		–1	–4	–5
Transfers				0
Historical cost, 31 December 2008	204	44	168	416
Accumulated amortization, 1 January 2008	0	–12	–89	–101
Translation differences			2	2
Annual amortization		–6	–8	–14
Impairment			–1	–1
Amortization on disposals		1	3	4
Amortization on divestments of businesses			2	2
Transfers				0
Accumulated amortization, 31 December 2008	0	–17	–91	–108
Net book value, 31 December 2008	204	27	77	308

There are no accumulated impairment losses in goodwill. Within intangible assets, only goodwill is assumed to have an indefinite life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill impairment testing

Goodwill is allocated to the Group's cash-generating units (CGUs), which correspond to the profit centers for the segment «Watches & Jewelry» and the reportable segments for the business segments «Production» and «Electronic Systems».
A segment-level summary of the goodwill allocation is presented below:

(CHF million)	**31.12.2009**	31.12.2008
Watches & Jewelry	**159**	157
Production	**36**	36
Electronic Systems	**11**	11
Total	**206**	204

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate. The discount rates used are derived from a capital asset pricing model using data from Swiss capital markets and reflect specific risks relating to the relevant segments. This is then adjusted to a pre-tax rate.

Ranges of key assumptions used

	2009			2008		
	Watches & Jewelry	**Production**	**Electronic Systems**	Watches & Jewelry	Production	Electronic Systems
Estimated growth rate beyond five-year period	**1%**	**0.50%**	**0%**	1%	0.50%	0%
Expected gross margin	**48%-62%**	**27%-30%**	**31%-35%**	56%-64%	26%-30%	31%-35%
Pre-tax discount rate	**8.8%**	**9.6%**	**9.9%**	9.1%	10.2%	10.5%

No impairment charge for goodwill had to be recorded in 2009 and 2008. Management estimates that any reasonably possible change in any of the key assumptions would not cause that the recoverable amount falls below the carrying value of goodwill.

13. Investments in associates and joint ventures

(CHF million)	**2009**	2008
Balance at 1 January	**127**	6
Share of result from associates and joint ventures	**5**	5
Dividends received	**–2**	0
Investments	**12**	69
Reclassifications	**0**	45
Translation differences	**–3**	2
Balance at 31 December	**139**	127

All associates and joint ventures are recognized using the equity method. They have been listed in Note 32.
The investment in 2009 relates to an increase in the stake in Hengdeli Holdings (formerly Xinyu Hengdeli) from 8.09% in 2008 to 8.92%.
The investments in 2008 related to the acquired stake in Rivoli Group LLC (Dubai), one of the leading lifestyle luxury goods retailers in the GCC (Gulf Cooperation Council) region. Despite having less than 20% of the voting power, the Swatch Group can exercise significant influence due to the representation on the Board of Directors, the access to current financial information and the strategic character of the investment. Due to this significant influence, the investment in Rivoli is considered as an associate.
The reclassifications in 2008 mainly related to the stake in Hengdeli Holdings which was transferred from marketable securities into associates. As of 9 July 2008, the Group obtained significant influence following a decisive change in Hengdeli's Board of Directors and a closer strategic partnership between the two parties. The reclassification as of 9 July 2008 was done at original cost value with the difference to the current fair value being recognized in equity.
Furthermore, the company François Golay SA was reclassified out of investments in associates in 2008 due to its full consolidation (acquisition of the remaining 65% of the shares, refer to Note 14 Business Combinations). Also, the Group's share in Belenos Clean Power Holding SA was reduced to below 50% in 2008; since then, the company is considered as an associate.
At 31 December 2009, the fair value of the investment in Hengdeli Holdings was CHF 140 million (2008: CHF 33 million). Sales to and purchases from associates and joint ventures amounted to CHF 398 million (2008: CHF 159 million) and CHF 6 million (2008: CHF 9 million) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following amounts represent the Group's share of assets, liabilities, revenues and net income of associates and joint ventures:

(CHF million)	**31.12.2009**	31.12.2008
Assets	**112**	100
Liabilities	**42**	44
Revenues	**133**	61
Net income	**5**	5

At the balance sheet date, contingent liabilities of associates and joint ventures amounted to CHF 1 million (previous year: CHF 1 million).

14. Business combinations

At the end of March 2009, the Group acquired the remaining 90% of the issued capital of Swiss Precision Watches (Pty) Ltd, a watch distribution company domiciled in Johannesburg (South Africa). The company was subsequently renamed The Swatch Group (South Africa) (Pty) Ltd.

In January 2008, the Group had acquired the business activities of the company H. Moebius & Sohn, Allschwil (Switzerland), a supplier of classic and synthetic oils, lubricants and epilam coatings. In March 2008, another minor transaction involved the acquisition of 100% of the issued capital of Vica Sàrl, Lausanne (Switzerland). In June 2008, the Group had acquired the remaining 65% of François Golay SA, Le Brassus (Switzerland), a developer of high-quality wheels and other watch components. On 4 November 2008, the Group finalized the purchase of the watch components division of Burri AG in Moutier (Switzerland). All acquisitions have been accounted for using the purchase method of accounting.

The identifiable assets and liabilities acquired in the transactions, the goodwill arising and the cash outflow on acquisitions were as follows:

		2009		2008	
(CHF million)	Notes	**Fair value**	**Acquiree's carrying amount**	Fair value	Acquiree's carrying amount
Property, plant and equipment	(10)	**0**	**0**	31	24
Intangible assets	(12)	**0**	**0**	6	0
Other non-current assets	(15)	**0**	**0**	0	0
Current assets		**5**	**5**	4	4
Cash and cash equivalents		**2**	**2**	0	0
Provisions	(24)	**0**	**0**	–1	–1
Deferred tax liabilities	(7d)	**0**	**0**	–3	0
Other non-current liabilities		**–3**	**–3**	–3	–3
Current liabilities		**–2**	**–2**	–1	–1
Previously held interests		**0**		–5	
Net assets acquired		**2**	**2**	28	23
Goodwill (capitalized)	(12)	**2**		6	
Negative Goodwill (recognized in P&L)		**0**		–3	
Total purchase consideration		**4**		31	
Cash and cash equivalents acquired		**–2**		0	
Consideration payable		**0**		–1	
Cash outflow on acquisitions		**2**		30	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The total acquisition cost basically represented the cash payments made to the vendors. The costs directly attributable to the acquisitions were below CHF 1 million (2008: below CHF 1 million).
The goodwill arising from these acquisitions is attributable to the expected operating synergies from the combinations, the acquired know-how and the extended production capacity in the Group's core business. In the case of François Golay SA, the fair values of net assets acquired were in excess of the consideration paid. The resulting negative goodwill of CHF 3 million was recognized in the income statement 2008 within other operating income.
The operating results contributed by the acquired entities in the period between the date of acquisition and the balance sheet date were below CHF 1 million (2008: CHF 1 million). Furthermore, if the acquisitions had taken place at 1 January 2009 (1 January 2008), the Group's revenue would have been CHF 2 million (2008: CHF 7 million) higher, and the impact on profit would have been less than CHF 1 million (2008: CHF 1 million).

Divestment of businesses

No businesses were divested in 2009. The announced sale of Microcomponents' step motor activities will be effective in the first half-year 2010.
In 2008, the Group had sold the Group companies Sokymat Automotive GmbH (Germany) and Michel Präzisionstechnik AG (Switzerland) for a total consideration of CHF 109 million. The profit realized on these divestments amounted to CHF 45 million, it was included in 2008 in other operating income.

The net assets disposed of and the net cash inflow on divestments were as follows:

(CHF million)	Notes	**2009**	2008
Property, plant and equipment	(10)	**0**	20
Intangible assets	(12)	**0**	1
Goodwill	(12)	**0**	33
Current assets		**0**	21
Cash and cash equivalents		**0**	4
Provisions	(24)	**0**	0
Deferred tax liabilities	(7d)	**0**	–3
Other non-current liabilities		**0**	–1
Current liabilities		**0**	–11
Net assets disposed of		**0**	64
Accumulated currency translation gains recognized in equity		**0**	0
Profit on divestment of businesses		**0**	45
Total disposal consideration		**0**	109
Cash and cash equivalents disposed of		**0**	–4
Net Cash inflow on divestment		**0**	105

Furthermore, the participation in Belenos Clean Power Holding SA was reduced in 2008 to below 50% and reclassified to associates (refer to Note 13). The cash impact on deconsolidation was a decrease in cash and cash equivalents of CHF 17 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Other non-current assets

(CHF million)	**Key money**	**Security deposits**	**Other financial assets**	**Pension assets**	**Total**
Balance at 1 January 2009	**37**	**23**	**5**	**48**	**113**
Translation differences		–1			**–1**
Business combinations (Note 14)					**0**
Additions		7		16	**23**
Disposals		–1			**–1**
Transfers to "Other current assets"	–9				**–9**
Balance at 31 December 2009	**28**	**28**	**5**	**64**	**125**
Term 1–5 years	24	24	5		**53**
Term >5 years	4	4		64	**72**
Balance at 31 December 2009	**28**	**28**	**5**	**64**	**125**

(CHF million)	Key money	Security deposits	Other financial assets	Pension assets	Total
Balance at 1 January 2008	48	17	5	0	70
Translation differences	–4				–4
Business combinations (Note 14)					0
Additions	4	7		48	59
Disposals		–1			–1
Transfers to "Other current assets"	–11				–11
Balance at 31 December 2008	37	23	5	48	113
Term 1–5 years	29	17	5		51
Term >5 years	8	6		48	62
Balance at 31 December 2008	37	23	5	48	113

Security deposits as well as other financial assets are considered as financial instruments (category loans and receivables). Key money that the Group pays when renting shops in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain. The non-current portion is recognized under «Other non-current assets», while the current component is transferred to «Other current assets». Detail to the pension assets can be found in Note 23.

16. Inventories

(CHF million)	**31.12.2009**	31.12.2008
Raw materials	**219**	226
Work in progress	**287**	334
Semi-finished goods	**1 084**	1 028
Finished goods	**985**	999
Spare parts for customer service	**168**	151
Total inventories	**2 743**	2 738

The cost of inventories recognized as an expense in 2009 amounted to CHF 2 316 million (2008: CHF 2 426 million). Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2009, the Group recognized write-downs of CHF 17 million (previous year: CHF 22 million) and reversals of write-downs of CHF 4 million (previous year: CHF 3 million). The net impact of these adjustments was a charge to the income statement of CHF 13 million (2008: CHF 19 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Trade receivables

(CHF million)	**31.12.2009**	31.12.2008
Trade receivables – gross	**780**	756
Allowance for impaired receivables	**–19**	–23
Total trade receivables – net	**761**	733

The evolution of the allowance for impaired receivables can be summarized as follows:

(CHF million)	**2009**	2008
Balance at 1 January	**–23**	–21
Translation differences	**0**	0
Utilization	**6**	3
Reversal	**3**	4
Creation	**–5**	–9
Balance at 31 December	**–19**	–23

The individually impaired receivables mainly relate to amounts overdue more than 12 months and to customers with solvency risks.

The following table provides details of the age of trade receivables that are past due but not impaired:

(CHF million)	**31.12.2009**	31.12.2008
Neither past due nor impaired	**649**	537
<3 months	**97**	171
3–6 months	**10**	18
6–12 months	**5**	7
Total past due but not impaired	**112**	196
Total trade receivables	**761**	733

Based on past experience with the quality of trade receivables, no material increase in credit losses is expected.

Net trade receivables are recognized in the following major currencies:

(CHF million)	**31.12.2009**	31.12.2008
CHF	**181**	213
CNY	**86**	38
EUR	**204**	211
HKD	**43**	27
JPY	**26**	37
USD	**77**	87
Other currencies	**144**	120
Total trade receivables – net	**761**	733

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.
The maximum exposure to credit risk at the balance sheet date is the fair value of trade receivables. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Other current assets

(CHF million)	**31.12.2009**	31.12.2008
Other current receivables		
VAT to be refunded	**47**	108
Other receivables	**40**	77
Total other current receivables	**87**	185
Prepayments		
Key money	**10**	10
Other prepayments and accrued income	**144**	88
Total prepayments	**154**	98
Total other current assets	**241**	283

Current income tax assets are reported on a separate balance sheet line and are also included in Note 7 Income taxes. No impairments were recognized on other receivables (none in 2008). Except for prepayments, other current assets are considered as financial instruments.

19. Marketable securities and derivative financial instruments

(CHF million)	**31.12.2009**	31.12.2008
Equity securities	**138**	106
Bond securities	**365**	378
Investment funds and other investments	**25**	31
Marketable securities held-for-trading	**528**	515
Marketable securities designated as FVTPL	**16**	15
Derivative financial instruments	**3**	16
Total marketable securities and derivative financial instruments	**547**	546

All marketable securities and derivative financial assets are classified in the category «financial assets at fair value through profit or loss». Changes in fair values are recorded in the income statement (see Note 6f).

The table below gives an overview of the contract values and fair values of derivative financial instruments by type of contract.

	31.12.2009			31.12.2008		
Type (CHF million)	**Contract value**	**Positive fair value**	**Negative fair value**	Contract value	Positive fair value	Negative fair value
Forward foreign exchange rate contracts	**521**	**3**	**–1**	565	16	–3
Currency options	**0**	**0**	**0**	0	0	0
Options on equity securities	**0**	**0**	**0**	0	0	0
Total trading	**521**	**3**	**–1**	565	16	–3
Forward foreign exchange rate contracts	**0**	**0**	**0**	0	0	0
Currency options	**0**	**0**	**0**	0	0	0
Total hedge accounting	**0**	**0**	**0**	0	0	0
Total	**521**	**3**	**–1**	565	16	–3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the end of 2008 and 2009, no hedges were outstanding. In 2008, CHF 1 million was recycled from equity as a result of the application of hedge accounting. The impact on the income statement 2008 was a gain of CHF 3 million. The derivative financial liabilities are included in current financial debts.

The detail by currency of the contract values of derivative financial instruments can be summarized as follows:

	2009							
Type	**EUR**	**JPY**	**HKD**	**USD**	**SGD**	**CNY**	**Other**	**Total**
(CHF million)								
Forward foreign exchange contracts	**229**	**70**	**0**	**72**	**27**	**49**	**74**	**521**
Currency options	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Options on equity securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total trading	**229**	**70**	**0**	**72**	**27**	**49**	**74**	**521**
Forward foreign exchange contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency options	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total hedge accounting	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**229**	**70**	**0**	**72**	**27**	**49**	**74**	**521**

	2008							
Type	EUR	JPY	HKD	USD	SGD	CNY	Other	Total
(CHF million)								
Forward foreign exchange contracts	270	126	58	18	33	15	45	565
Currency options	0	0	0	0	0	0	0	0
Options on equity securities	0	0	0	0	0	0	0	0
Total trading	270	126	58	18	33	15	45	565
Forward foreign exchange contracts	0	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0
Total hedge accounting	0	0	0	0	0	0	0	0
Total	270	126	58	18	33	15	45	565

At 31 December 2009, the contracts have a term of up to one year. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

20. Cash and cash equivalents

(CHF million)	**31.12.2009**	31.12.2008
Current accounts and liquid assets	**388**	378
Short-term deposits with financial institutions	**710**	302
Total	**1 098**	680

The average yield on short-term bank deposits corresponds to the average interest rate on an investment on the money markets with a term of up to three months.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include the following items:

(CHF million)	**31.12.2009**	31.12.2008
Cash and cash equivalents	**1 098**	680
Current account overdrafts (Note 22)	**0**	0
Total	**1 098**	680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Share capital and reserves

a. Share capital

Over the past three years, the share capital of The Swatch Group Ltd has changed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2006	131 530 000 at CHF 0.45	32 364 000 at CHF 2.25	132 007 500.00
Cancellation[1]	–3 430 000 at CHF 0.45	–704 000 at CHF 2.25	–3 127 500.00
31.12.2007	128 100 000 at CHF 0.45	31 660 000 at CHF 2.25	128 880 000.00
Cancellation[2]	–4 055 000 at CHF 0.45	–820 000 at CHF 2.25	–3 669 750.00
31.12.2008	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2009	**124 045 000 at CHF 0.45**	**30 840 000 at CHF 2.25**	**125 210 250.00**

[1] Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the AGM of 11 May 2007.

[2] Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the AGM of 21 May 2008.

At year-end 2009 as well as 2008, there was no authorized or conditional capital. All issued shares are fully paid. No benefit certificates exist. In accordance with the articles of incorporation of the Swatch Group, the Board of Directors shall refuse a registered share ownership of more than 5% per shareholder. In exceptional cases, the Board of Directors may consent to an exception to this rule.

b. Treasury shares

Changes in shares of The Swatch Group Ltd held by the Group (treasury shares) are presented in the following table:

	Registered shares		Bearer shares		
	Quantity	Value CHF million	Quantity	Value CHF million	Total CHF million
Balance at 31.12.2007	**14 506 894**	**588**	**660 000**	**233**	**821**
Acquisitions	3 470 000	181	665 000	180	361
Disposals [1]	–221 735	0	0	0	0
Cancellations	–4 055 000	–272	–820 000	–281	–553
Balance at 31.12.2008	**13 700 159**	**497**	**505 000**	**132**	**629**
Acquisitions	0	0	0	0	0
Disposals [1]	–215 730	0	0	0	0
Cancellations	0	0	0	0	0
Balance at 31.12.2009	**13 484 429**	**497**	**505 000**	**132**	**629**

[1] Exercised in relation with the employee stock option plan. Details to the share options issued in connection with the employee stock option plan are given in Note 28.

Treasury shares are recognized in the consolidated financial statements at their historical cost. The value of these shares is charged against consolidated equity.

c. Other reserves

(CHF million)	**31.12.2009**	31.12.2008
Equity component of convertible bond	**15**	15
Translation differences	**–148**	–132
Total other reserves	**–133**	–117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial debts and derivative financial instruments

(CHF million)	**31.12.2009**	31.12.2008
Convertible bond	**0**	384
Other non-current debt	**80**	92
Total non-current financial debts	**80**	476
Current account overdrafts	**0**	0
Short-term leasing commitments	**0**	0
Short-term bank debt	**52**	50
Convertible bond	**385**	0
Total current financial debts	**437**	50
Derivative financial instruments	**1**	3
Total current financial debts and derivative financial instruments	**438**	53
Total financial debts	**518**	529

The exposure of the Group's financial debts to interest rate changes is limited as most of these debts have fixed interest rates. The contractual repricing dates at the balance sheet date are as follows:

(CHF million)	**less than 1 year**	**1–5 years**	**over 5 years**	**Total**
At 31.12.2009	**438**	**0**	**80**	**518**
At 31.12.2008	53	386	90	529

The carrying amounts of the Swatch Group's financial debts are denominated in the following currencies:

(CHF million)	**31.12.2009**	31.12.2008
Swiss Franc (CHF)	**389**	389
Japanese Yen (JPY)	**107**	114
Euro (EUR)	**3**	4
Other currencies	**19**	22
Total	**518**	529

Convertible bond

On 15 October 2003, The Swatch Group Finance (Luxembourg) SA issued convertible bonds valid from 15 October 2003 to 15 October 2010 and with a coupon of 2.625%, for a total of CHF 411 600 000. During the conversion period, these bonds with a nominal value of CHF 5 000 may be converted into registered shares of The Swatch Group Ltd at CHF 49.00 each.
The bond issue has been split into an equity and a liability component, recognized on the balance sheet under the corresponding headings. The fair value of the liability component, initially recognized as non-current debt, was determined by reference to the market rate (3.248% per year) of an equivalent non-convertible bond. The residual value (the conversion option) was recognized as equity. In 2009, the liability component was reclassified from non-current to current financial debts.
Until conversion or redemption of the bond issue, the liability component and all related adjustments will be accounted for using the effective interest rate method. The equity portion was determined at the time of issue and will not be modified at a later date.

The convertible bond is recognized as follows:

(CHF million)	**2009**	2008
Liability component at 1 January	**384**	402
Coupon interest at market rate	**13**	14
Coupon interest at 2.625%	**–10**	–11
Partial repurchase of convertible bonds against cash	**–2**	–21
Liability component at 31 December	**385**	384

In 2009, the Group repurchased 400 convertible bonds with a total nominal value of CHF 2 million at a price of 101.00%. The realized loss relating to the liability component of less than CHF 1 million was recognized within financial expense.
In 2009 and 2008, no bonds had been converted. The closing rate of the convertible bond on the Swiss Stock Exchange SIX at end-2009 was 109.05% (101.10% at end-2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Retirement benefit obligations

a. Defined benefit plans

The Group has numerous independent pension plans. Defined benefit pension plans cover a significant number of the Group's employees. The Group's Swiss pension fund is also treated as a defined benefit pension plan. Other defined benefit plans are located in Japan, Korea, Italy, Taiwan, Malaysia, Germany, UK and the USA. The defined benefit obligations and related assets are reassessed annually by independent actuaries. The following is a summary of the status of the Group's defined benefit pension plans:

(CHF million)	**2009**	2008
Present value of funded obligations	**−3 228**	−3 124
Fair value of plan assets	**3 171**	2 814
Excess of assets/(liabilities) at 31 December	**−57**	−310
Present value of unfunded obligations	**−14**	−15
Unrecognized actuarial loss	**111**	348
Unrecognized past-service cost	**0**	0
Unrecognized surplus due to asset ceiling	**0**	0
Net asset / (liability) in the balance sheet at 31 December	**40**	23

Periodic pension cost for defined benefit plans

(CHF million)	**2009**	2008
Current service cost	**−123**	−114
Interest cost	**−101**	−105
Expected return on plan assets	**119**	144
Actuarial gains/(losses)	**−3**	−340
Past-service cost	**0**	0
Employee contributions	**56**	54
Gains/(losses) on curtailment	**−1**	0
Impact of asset ceiling	**0**	336
Total periodic pension cost	**−53**	−25

Movement in the fair value of plan assets

(CHF million)	**2009**	2008
1 January	**2 814**	3 590
Expected return on plan assets	**119**	144
Actuarial gains/(losses)	**289**	−872
Exchange differences	**0**	−7
Employer contributions	**68**	66
Employee contributions	**56**	54
Effect of acquisitions or divestments	**0**	0
Benefits paid	**−175**	−161
31 December	**3 171**	2 814

Pension plan assets include the company's registered shares with a fair value of CHF 280 million (2008: CHF 162 million) and the company's bearer shares with a fair value of CHF 53 million (2008: CHF 29 million). Furthermore, buildings occupied by the Group amounting to CHF 12 million (previous year CHF 12 million) were included in the pension plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets was a gain of CHF 408 million (2008: loss of CHF 728 million). The Group expects to contribute CHF 69 million to its post-employment benefit plans in 2010.

Asset allocation of plan assets

	31.12.2009		31.12.2008	
	CHF million	**%**	CHF million	%
Equity	**1 036**	**32.7**	826	29.4
Bonds	**1 156**	**36.5**	1 163	41.3
Real estate	**591**	**18.6**	607	21.6
Other assets	**388**	**12.2**	218	7.7
Total	**3 171**	**100.0**	2 814	100.0

Movement in the present value of defined benefit obligation

(CHF million)	**2009**	2008
1 January	**–3 139**	–3 282
Current service cost	**–124**	–114
Interest cost	**–101**	–105
Actuarial gains/(losses)	**–55**	188
Exchange differences	**1**	12
Benefits paid	**177**	162
Effect of acquisitions or divestments	**0**	0
Curtailments	**–1**	0
Settlements	**0**	0
31 December	**–3 242**	–3 139

Principal actuarial assumptions used

	2009	2008
	%	%
	Weighted average	Weighted average
Discount rate	**3.25**	3.25
Expected return on plan assets	**4.25**	4.00
Expected rates of salary increases (incl. inflation)	**2.00**	2.00
Future pension increases due to inflation	**0**	0

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

Defined benefit plans: summary

(CHF million)	**2009**	2008	2007	2006	2005
Present value of defined benefit obligation	**–3 242**	–3 139	–3 282	–3 106	–2 997
Fair value of plan assets	**3 171**	2 814	3 590	3 464	3 255
Over/(under) funding	**–71**	–325	308	358	258
Experience adjustments on plan liabilities - loss / (gain)	**6**	29	133	70	56
Experience adjustments on plan assets - gain / (loss)	**289**	–872	39	130	237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Post-employment medical benefits plan

The Group operates a post-employment medical scheme in the USA. It represents a defined benefit obligation at 31 December 2009 of CHF 3 million (2008: CHF 3 million). This plan is included in the defined benefit obligations presented above. The method of accounting and the frequency of valuation are similar to those used for benefit pension schemes. A one percentage point increase or decrease in assumed medical cost trend rates would lead to an absolutely insignificant change in the defined benefit obligation.

c. Other post-employment benefit obligations

In addition to the defined benefit pension plans, the Group has liabilities for other post-employment benefits for employees working abroad. At 31 December 2009, these liabilities amounted to CHF 3 million (31 December 2008: CHF 3 million).

d. Reconciliation

The reconciliation of the balance sheet amount of pension assets and retirement benefit obligations is as follows:

(CHF million)	**31.12.2009**	31.12.2008
Defined benefit plan asset	**64**	48
Total pension asset (Note 15)	**64**	48
Defined benefit plan liability	**–24**	–25
Other post-employment benefit obligations	**–3**	–3
Total retirement benefit obligations	**–27**	–28

e. Defined contribution plans

Amounts recognized in the consolidated income statement relating to contributions to defined contribution plans represent the employer's contributions and are calculated according to the regulations of various pension institutions. In 2009, these contributions amounted to CHF 6 million (CHF 6 million in 2008).

24. Provisions

(CHF million)	**Warranties**	**Litigation**	**Other**	**Total**
Balance at 1 January 2009	**77**	**11**	**20**	**108**
Translation differences				**0**
Additional provisions	67	2	5	**74**
Reversal of provisions	–3	–2	–3	**–8**
Acquisitions / divestments				**0**
Provisions used during the year	–70	–2	–2	**–74**
Balance at 31 December 2009	**71**	**9**	**20**	**100**

Analysis of total provisions

(CHF million)	**31.12.2009**	31.12.2008
Non-current provisions	**40**	45
Current provisions	**60**	63
Total	**100**	108

a. Warranty

In the majority of cases, the Group offers a two-year warranty covering the repairs or replacement of products that do not perform to customers' satisfaction. The provision made at year-end to cover future warranty costs is based on past experience with respect to the volume of repairs and returns.

b. Legal risks

Some Group companies are involved in litigation arising from the ordinary course of their business. Management estimated the outcome of these lawsuits on the basis of facts known at the time of closing the books and recorded adequate provisions in line with IAS 37. However, there is an inherent risk that legal claims from adversary parties are successful and cause a significant outflow of economic benefits.

c. Other

Other provisions relate to various present legal or constructive obligations of the Group companies toward third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Other current liabilities

(CHF million)	**31.12.2009**	31.12.2008
Advance payments	**12**	15
VAT due	**13**	20
Other payables	**57**	77
Total other current payables	**82**	112
Accrued expenses and deferred income	**347**	330
Total other current liabilities	**429**	442

Current income tax liabilities are reported on a separate balance sheet line and are also included in Note 7 Income taxes. Except for accrued expenses and deferred income, other current liabilities are considered as financial instruments.

26. Commitments and contingencies

a. Guarantees and sureties

At 31 December 2009, guarantees to third parties as security for commitments of Group companies amounted to less than CHF 1 million (less than CHF 1 million at end-2008).
Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 28 million at 31 December 2009 (CHF 23 million at end-2008). This increase is due to cash deposits in favor of landlords (retail business rental contracts).

b. Leasing, rental and other commitments

Operating leasing commitments for the Group not recognized in the balance sheet are as follows:

(CHF million)	**31.12.2009**	31.12.2008
Less than 1 year	**149**	129
Between 1 and 5 years	**357**	299
Over 5 years	**229**	246
Total	**735**	674
Proportion of contracts with renewal option (% of total amount)	**65.6**	68.5
Maximum risk (% of total amount)	**93.5**	91.6

The figures in the preceding table include all rental contracts for buildings, a major part of which relate to the Group's retail business, and to all other standard rental contracts existing at 31 December 2009. Leasing costs amounting to CHF 152 million were recognized in the 2009 income statement (CHF 129 million in 2008). A sublease clause is included in a large number of rental contracts for retail shops. Moreover, if the need arises, the Group may negotiate early termination of a lease contract with exit terms considerably more favorable than the payment of the entire commitment specified in the initial contract. The maximum risk as disclosed above considers any exit clauses and potential related penalties.
Other commitments relating to investments in tangible fixed assets entered into by the Group, and ongoing at 31 December 2009, amounted to CHF 7 million (CHF 4 million in the previous year).

c. Contingent assets and liabilities

Some Group companies are involved in litigation and disputes arising from the ordinary course of business and they may be liable to pay compensation. The effect of these lawsuits, not all of which are covered by insurance, on future operations and earnings is not predictable.
In some cases the Group is defending its rights where there is also an inherent chance of inflows of economic benefits if the cases are successful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Cash generated from operations

(CHF million)	Notes	**2009**	2008
Net income		**763**	838
Share of result from associates and joint ventures	(13)	**–5**	–5
Income taxes	(7a)	**186**	168
Depreciation of tangible assets	(10, 11)	**207**	204
Amortization of intangible assets	(12)	**13**	14
Impairment charge	(10, 12, 18)	**0**	2
Divestment gain from disposal of subsidiaries	(14)	**0**	–45
Profit on sale of fixed assets		**–2**	–3
Loss on sale of fixed assets		**2**	2
Fair value gains on marketable securities		**–66**	–31
Fair value losses on marketable securities		**33**	218
Interest income	(6f)	**–4**	–23
Interest expense	(6f)	**18**	22
Expenses for equity-settled equity compensation plan	(28)	**8**	10
Changes in working capital (without liquid funds):			
– Inventories		**–12**	–514
– Trade and other receivables		**15**	184
– Trade payables and other current liabilities		**–3**	–172
Changes in provisions		**–8**	–8
Changes in pensions and other retirement benefits		**–16**	–42
Other non cash items		**7**	23
Cash generated from operations		**1 136**	842

28. Employee stock option plan

When the Hayek Pool acquired control of the Swatch Group, a block of shares was reserved in 1986 for an equity-settled management stock option plan.

Under the terms of this plan, share options are granted to managers and employees who distinguished themselves by a particular strong commitment to the company or an above-average performance. One-third of the options granted can be exercised immediately, one-third after 12 months, and the remaining third after 24 months (European style). Options are conditional on the employee completing the service until the respective date of exercise. Options are not transferable and only exercisable by the employee. The Group has no legal or constructive obligation to repurchase or settle the options in cash. A tranche of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. When the options are exercised, Group equity increases by the corresponding amounts.

At the end of 2009, this portfolio comprised 2 356 309 registered shares (2 572 039 at the end of 2008). In 2009, 215 730 registered shares were exercised at a preferential price of CHF 4.00 per registered share.

Movements in the number of share options outstanding were as follows:

	2009	2008
	Options	Options
Options outstanding at 1 January	**218 570**	206 328
Granted	**221 590**	234 217
Forfeited or lapsed	**–2 502**	–252
Exercised	**–215 730**	–221 723
Options outstanding at 31 December	**221 928**	218 570

All options included in the table above have an exercise price of CHF 4.00.

Share options outstanding at the end of the year have the following expiry date:

	Share options	
Expiry date	**31.12.2009**	31.12.2008
2009		140 369
2010	**148 470**	78 201
2011	**73 458**	
Total	**221 928**	218 570

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The fair value of the options granted during the period was determined by using the Black-Scholes option pricing model. The expected volatility has been set by reference to the implied volatility of options available on Swatch Group shares in the open market, as well as historical patterns of volatility. The following table shows the assumptions on which the valuation of share options granted in 2009 and 2008 was based:

	2009		2008	
	Tranche exercisable in 1 year	**Tranche exercisable in 2 years**	Tranche exercisable in 1 year	Tranche exercisable in 2 years
Grant date	**10 July 2009**	**10 July 2009**	10 July 2008	10 July 2008
Expiration date	**10 July 2010**	**10 July 2011**	10 July 2009	10 July 2010
Closing share price on grant date	**CHF 33.70**	**CHF 33.70**	CHF 43.65	CHF 43.65
Exercise price	**CHF 4.00**	**CHF 4.00**	CHF 4.00	CHF 4.00
Volatility	**37.0%**	**37.0%**	24.0%	24.0%
Expected dividend yield	**CHF 0.80**	**CHF 0.80**	CHF 0.85	CHF 0.85
Risk-free interest rate	**0.35%**	**0.83%**	3.16%	3.20%
Market value of option at grant date	**CHF 28.91**	**CHF 28.17**	CHF 38.93	CHF 39.05

The first tranche that was immediately exercisable had the same assumptions as shown above (2009: grant date 10 July 2009, share price at grant date CHF 33.70, exercise price CHF 4.00; 2008: grant date 10 July 2008, share price at grant date CHF 43.65, exercise price CHF 4.00). The weighted average share price at exercise date was CHF 44.84 in 2009 (2008: CHF 38.39).

The personnel expense recorded in the 2009 income statement as a result of applying IFRS 2 calculation amounted to CHF 8 million (2008: CHF 10 million).

29. Related party transactions

a. Principal shareholders

On 31 December 2009, the Hayek Pool and its related companies, institutions and individuals held 63 301 445 registered shares and 201 325 bearer shares, equivalent to 41.0% of the shares issued (previous year: 40.7%) of The Swatch Group Ltd, which is the parent company of the Group.
In the context of the pool, the group of Mr N. G. Hayek and related parties controlled in total 40.2% of the shares issued compared with 40.0% at the end of year 2008.
As of the same date, Mrs Esther Grether's group controlled 7.5% of the shares issued (compared with 7.5% a year earlier).

In 2009, the Hayek Group, owned by Mr. N. G. Hayek, invoiced an amount of CHF 9.4 million to the Swatch Group (compared with CHF 10.0 million in 2008). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	**2009**	2008
Audit, feasibility studies and process optimization	**3.0**	2.7
Provision of managers and filling important, vacant functions	**1.3**	0.7
Project management in the construction sector	**3.0**	3.5
Support for projects in the materials and surface treatment technology sector	**0.2**	0.6
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	**0.4**	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	**1.5**	2.1
Total	**9.4**	10.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Key management personnel

In addition to the members of the Board of Directors, the members of the Group Management Board and of the Extended Management Board are considered as key management personnel (according to IAS 24.9).
The total compensation of key management personnel using IAS 19 and IFRS 2 rules for accounting for share-based compensation was as follows:

(CHF million)	**2009**	2008
Short-term employee benefits	**26.2**	27.1
– of which in salaries	**9.3**	9.3
– of which in bonus	**16.8**	17.7
– of which in other benefits	**0.1**	0.1
Post-employment benefits	**0.8**	0.8
Termination benefits	**0.0**	0.0
Share-based compensation	**5.0**	6.4
Total	**32.0**	34.3

No remuneration was paid to former members of management bodies for their former functions.

c. Share ownership

At 31 December 2009, the executive members of the Board of Directors and the members of the Management Board of the company as well as the persons close to them held directly or indirectly a total of 56 308 733 registered shares and 590 bearer shares, representing 36.4% of the voting rights (previous year: 36.1%).
In addition, at 31 December 2009, all the non-executive members of the Board of Directors as well as the persons close to them held 13 303 072 registered shares and 114 000 bearer shares, representing 8.7% of the voting rights (previous year: 8.6%).

d. Loans to members of the governing bodies

The employees of the company may take out a mortgage loan with the Swatch Group Pension Fund for the construction or acquisition of property in Switzerland (primary residence). The conditions for these mortgage loans are set by the Swatch Group Pension Fund Foundation Board. These conditions are applied in the same manner to all employees.
In 2009 and 2008, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. At the end of 2009, one loan to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 3.0% existed (unchanged from previous year).

e. Associated companies and other related parties

The Group has transactions with associates, joint ventures and other related parties. A listing of the associated companies and joint ventures is included in the list of the Swatch Group companies (Note 32).

	2009		2008	
(CHF million)	**Purchases**	**Sales**	Purchases	Sales
Associates and joint ventures	**6**	**398**	9	159
Other related parties	**0**	**0**	0	0

At the end of 2009, receivables from related parties amounted to CHF 57 million (2008: CHF 35 million), and payables to related parties were CHF 3 million (unchanged from previous year). In addition, in 2009 the Group held a guarantee from an associated company in the amount of CHF 7 million (2008: CHF 20 million). Furthermore, at 31 December 2009 the Group had granted loans to related parties in the amount of USD 1 million (2008: USD 1 million) with an interest rate of 3.25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Management compensation disclosures (required by Swiss Law)

This note has been prepared in accordance with the requirements of articles 663b and 663c al. 3 of the Swiss Code of Obligations (SCO). It differs in several aspects from the compensation disclosures given in Note 29, mainly due to different valuation and expense recognition rules applied.

Compensation to Board of Directors and Group Management (Art. 663b SCO)

a. Board of Directors (BoD)

2009 Name	**Function**	**Compensation for functions in the BoD[1]** (CHF)	**Base compensation for executive function[1]** (CHF)	**Bonus[2]** (CHF)	**Other compensation[3]** (CHF)	**Total[4]** (CHF)
Dr. h.c. Nicolas G. Hayek	BoD Chairman & Delegate		701 892	1 670 000		2 371 892
Dr. Peter Gross	BoD Member	114 957				114 957
Esther Grether	BoD Member	104 425				104 425
Nayla Hayek	BoD Member	105 318	501 564	1 000 000	387 455	1 994 337
Prof. Dr. h.c. Claude Nicollier	BoD Member	106 440				106 440
Johann N. Schneider-Ammann	BoD Member	106 440				106 440
Ernst Tanner	BoD Member	106 440				106 440
Total		**644 020**	**1 203 456**	**2 670 000**	**387 455**	**4 904 931**

2008 Name	Function	Compensation for functions in the BoD[1] (CHF)	Base compensation for executive function[1] (CHF)	Bonus[2] (CHF)	Other compensation[3] (CHF)	Total[4] (CHF)
Dr. h.c. Nicolas G. Hayek	BoD Chairman & Delegate		701 892	1 770 000		2 471 892
Dr. Peter Gross	BoD Member	114 957				114 957
Esther Grether	BoD Member	104 425				104 425
Nayla Hayek	BoD Member	105 318	501 564	860 000	59 700	1 526 582
Prof. Dr. h.c. Claude Nicollier	BoD Member	79 830				79 830
Johann N. Schneider-Ammann	BoD Member	106 440				106 440
Ernst Tanner	BoD Member	106 440				106 440
Total		617 410	1 203 456	2 630 000	59 700	4 510 566

[1] Total annual fee paid in cash, not including any reimbursement for travel and other business expenses incurred.

[2] Cash bonuses according to the accrual principle.

[3] Other compensation includes pension benefits and share options. In 2009, 10 000 share options with a value of CHF 325 895 were granted (none in 2008), according to the conditions described in Note 28 Employee stock option plan. Each option gives the right to conversion in one registered share.

[4] All amounts are gross amounts (i.e. including social security due by the employee). The employer's share of social security contributions is not included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Management Board (MB) and Extended Management Board (EMB)

2009 Name	**Function**	**Salaries**[1]	**Bonus**[2]	**Share options**[3]	**Share options**[3]	**Other compensation**[4]	**Total**[5]
		(CHF)	**(CHF)**	**(number)**	**(CHF)**	**(CHF)**	**(CHF)**
Nick Hayek Jr.	MB President / CEO	1 471 561	2 900 000	22 000	716 975	61 560	5 150 096
Total other members		5 928 726	11 238 000	111 350	3 633 798	837 012	21 637 536
Total		**7 400 287**	**14 138 000**	**133 350**	**4 350 773**	**898 572**	**26 787 632**

2008 Name	Function	Salaries[1]	Bonus[2]	Share options[3]	Share options[3]	Other compensation[4]	Total[5]
		(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Nick Hayek Jr.	MB President / CEO	1 471 561	3 000 000	22 000	853 380	59 700	5 384 641
Total other members		5 998 112	12 066 350	127 000	4 926 334	791 574	23 782 370
Total		7 469 673	15 066 350	149 000	5 779 714	851 274	29 167 011

1) Total annual base compensation paid in cash, not including any reimbursement for travel and other business expenses incurred.

2) Cash bonuses according to the accrual principle.

3) Share options granted in the years under review, according to the conditions described in Note 28 Employee stock option plan. For the valuation of the share options, tax values were used for the part exercised in the current year. The options exercisable in the following years were valued using the Black Scholes method. Each option gives the right to conversion in one registered share.

4) Other salary elements such as pension benefits, company cars and other benefits.

5) All amounts are gross amounts (i.e. including social security due by the employee). The employer's share of social security contributions is not included.

c. Loans and other payments to Board of Directors and Group Management

In 2009 and 2008, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. At the end of 2009, one loan granted by the Group's Pension Fund to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 3.0% existed (unchanged to previous year).
In 2009 and 2008, no compensation other than mentioned in the compensation tables above was accorded to current or former members of the Board of Directors, Management Board and Extended Board or to persons closely linked to them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Ownership of Swatch Group shares and options by Board of Directors and Group Management

As of 31 December 2009 and 2008, the members of the Board of Directors, the Management Board and the Extended Management Board, including persons closely linked to them, held the following number of Swatch Group shares and options:

Name	Function	Registered Shares (number)		Bearer Shares (number)		Options (number)	
		2009	2008	2009	2008	2009	2008
Dr. h.c. Nicolas G. Hayek	BoD Chairman & Delegate	55 704 144	55 385 823	550	550		
Dr. Peter Gross	BoD Member	21 200	22 200				
Esther Grether	BoD Member	11 454 500	11 472 380	112 000	112 000		
Nayla Hayek	BoD Member	6 543	3 210			6 667	
Prof. Dr. h.c. Claude Nicollier	BoD Member						
Johann N. Schneider-Ammann	BoD Member	1 827 372	1 627 372				
Ernst Tanner	BoD Member			2 000	2 000		
Nick Hayek Jr.	MB President / CEO	55 249	38 083			22 001	20 167
Arlette E. Emch	MB Member	37 334	23 584			15 000	13 750
Florence Ollivier-Lamarque	MB Member	44 216	36 334			11 002	10 084
Dr. Mougahed Darwish	MB Member	69 470	63 470			6 000	6 000
Edgar Geiser[1]	MB Member / CFO		27 946				16 684
Marc A. Hayek	MB Member	36 900	28 400			9 000	8 500
Dr. Hanspeter Rentsch	MB Member / CLO	138 988	124 306			18 202	16 684
Roland Streule	MB Member	33 216	25 633			7 335	7 668
François Thiébaud	MB Member	53 125	45 250			9 000	7 875
Dr. Thierry Kenel[2]	EMB Member / CFO	5 302				1 452	
Matthias Breschan	EMB Member		4 250			1 500	1 375
Pierre-André Bühler	EMB Member	9 345	7 640			2 668	1 773
Manuel Emch[3]	EMB Member		3 234				1 450
Yann Gamard	EMB Member					5 002	4 709
Walter von Känel	EMB Member	17 643	14 454	40	40	3 500	2 939
Thomas Meier	EMB Member	2 900	1 500			1 300	1 500
Kevin Rollenhagen	EMB Member	23 482	18 766			5 668	4 384
Rudolf Semrad	EMB Member	12 601	15 501			2 100	2 100
Dr. Peter Steiger	EMB Member	40 924	35 883			5 501	5 042
Stephen Urquhart	EMB Member	17 351	15 481			5 501	5 441
Total		**69 611 805**	**69 040 700**	**114 590**	**114 590**	**138 399**	**138 125**

[1] Member of MB until September 2009.

[2] Member of EMB as of April 2009.

[3] Member of EMB until September 2009.

Mr. H.P. Rentsch, member of the Management Board, holds CHF 0.1 million of The Swatch Group Finance (Luxembourg) SA 2003-2010 2.625% convertible bonds giving rise to 2 040 registered shares if converted (unchanged from previous year).

The terms of the share options are disclosed in Note 28. Each option gives the right to conversion in one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 29 Related party transactions. Except for Mr. Nicolas G. Hayek, Mrs. E. Grether and Mr. J. N. Schneider-Ammann, no member of the Board of Directors, Management Board and Extended Management Board, together with persons closely linked to them, owned as of 31 December 2009 and 2008, either directly or through share options, more than 1% of the outstanding Swatch Group shares.

31. Events after the balance sheet date

There were no significant events after the balance sheet date.

32. THE SWATCH GROUP COMPANIES – AS AT 31.12.2009

Europe

Switzerland

Company name, Registered offices	Field of Activity		Capital in millions	Swatch Group Shareholdings %	Consoli-dation	Segment
The Swatch Group SA, Neuchâtel	Holding	CHF	125.21			▼
Asulab SA, La Tène	Research and development	CHF	0.10	100	●	▼
Atlantic Immobilien AG Bettlach, Bettlach	Real estate	CHF	0.70	100	●	▼
Belenos Clean Power Holding SA, Bienne	Holding	CHF	21.00	41	○	▼
Blancpain SA, Le Chenit	Watches	CHF	0.10	100	●	■
Blancpain Les Boutiques SA, Le Chenit	Retail	CHF	0.10	100	●	■
Breguet Les Boutiques SA, L'Abbaye	Retail	CHF	0.50	100	●	■
Certina AG, Le Locle	Watches	CHF	3.50	100	●	■
Cité du Temps SA, Genève	Communication	CHF	0.10	100	●	▼
cK Watch & Jewelry Co., Ltd., Bienne	Watches	CHF	5.00	90	●	■
Comadur SA, Le Locle	Products in hard materials	CHF	7.86	100	●	▲
Compagnie des Montres Longines, Francillon SA, Saint-Imier	Watches	CHF	10.00	100	●	■
Danyack SA, La Chaux-de-Fonds	Real estate	CHF	0.06	29	○	▼
Dernier Batz SA, Neuchâtel	Real estate	CHF	10.00	100	●	▼
Diantus Watch SA, Mendrisio	Watches, movements	CHF	10.00	100	●	▲
Distico SA, Torricella-Taverne	Distribution	CHF	3.00	100	●	■
Dress your body SA, Corcelles-Cormondrèche	Jewelry	CHF	0.10	100	●	▲
Dress Your Body Manufacture Genevoise SA, Plan-les-Ouates	Jewelry	CHF	0.60	100	●	▲
EM Microelectronic-Marin SA, La Tène	Microelectronics	CHF	25.00	100	●	◆
Endura AG, Bienne	Watches	CHF	2.00	100	●	■
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF	6.20	100	●	▲
François Golay SA, Le Chenit	Manufacture of watch wheels	CHF	0.10	100	●	▲
Frédéric Piguet SA, Le Chenit	Movements	CHF	0.30	100	●	▲
Hamilton International AG, Bienne	Watches	CHF	3.00	100	●	■
ICB Ingénieurs Conseils en Brevets SA, Neuchâtel	Patents	CHF	0.20	100	●	▼
Indexor SA, La Chaux-de-Fonds	Watch dial indexes	CHF	0.10	100	●	▲
Jaquet Droz Les Boutiques SA, La Chaux-de-Fonds	Retail	CHF	0.10	100	●	■
Lasag AG, Thun	Lasers for industrial applications	CHF	1.00	100	●	◆
Le Foyer SA, Saint-Imier	Real estate	CHF	0.13	100	●	▼
Léon Hatot Les Boutiques SA, Auvernier	Retail	CHF	0.10	100	●	■
Léon Hatot SA, Auvernier	Watches	CHF	0.10	100	●	■
Louis Jeanneret-Wespy SA, La Chaux-de-Fonds	Real estate	CHF	0.05	100	●	▼
Maeder-Leschot SA, Bienne	Real estate	CHF	0.70	100	●	▼
Manufacture Favre et Perret SA, La Chaux-de-Fonds	Watch cases	CHF	0.60	100	●	▲
Manufacture Ruedin SA, Bassecourt	Watch cases	CHF	2.40	100	●	▲
Meco SA, Grenchen	Watch crowns	CHF	0.48	100	●	▲
Meseltron SA, Corcelles-Cormondrèche	Real estate	CHF	2.00	100	●	▼
Microcomponents AG, Grenchen	Components for the automobile industry	CHF	11.00	100	●	◆
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF	4.00	100	●	◆
Mido AG, Le Locle	Watches	CHF	1.20	100	●	■
MOM le Prélet SA, Les Geneveys-sur-Coffrane	Watch dials	CHF	0.30	100	●	▲
Montres Breguet SA, L'Abbaye	Watches	CHF	10.00	100	●	■
Montres Jaquet Droz SA, La Chaux-de-Fonds	Watches	CHF	12.00	100	●	■
Nivarox-FAR SA, Le Locle	Watch components and thin wires	CHF	4.00	100	●	▲
Omega Electronics AG, Bienne	Inactive	CHF	1.50	100	●	▼
Omega SA, Bienne	Watches	CHF	50.00	100	●	■
Oscilloquartz SA, Neuchâtel	High-stability frequency sources	CHF	2.00	100	●	◆
Rado Uhren AG, Lengnau	Watches	CHF	2.00	100	●	■
Record Watch Co. SA, Tramelan	Inactive	CHF	0.10	100	●	▼
Renata AG, Itingen	Miniature batteries	CHF	0.50	100	●	◆
Rubattel et Weyermann SA, La Chaux-de-Fonds	Watch dials	CHF	0.15	100	●	▲
S.I. Grand-Cernil 2, Les Brenets, SA, Les Brenets	Real estate	CHF	0.12	100	●	▼
S.I. Grand-Cernil 3, Les Brenets, SA, Les Brenets	Real estate	CHF	0.12	100	●	▼
S.I. Les Corbes SA, Savagnier	Real estate	CHF	0.10	34	○	▼
S.I. L'Etang SA, Les Brenets, Les Brenets	Real estate	CHF	0.05	100	●	▼
S.I. Rue de la Gare 2, Les Brenets, SA, Les Brenets	Real estate	CHF	0.24	100	●	▼
SSIH Management Services AG, Bienne	Services and licences	CHF	0.05	100	●	▼
Swatch AG, Bienne	Watches	CHF	2.00	100	●	■
Swatch Retail AG, Bienne	Retail	CHF	2.00	100	●	■
Swiss Timing Ltd, Corgémont	Sports timing & information display systems	CHF	2.00	100	●	◆
Technocorp Holding SA, Le Locle	Holding	CHF	6.00	100	●	▼
Terbival SA, Courchapoix	Watch case polishing	CHF	0.10	45	○	▲
The Swatch Group Assembly SA, Genestrerio	Assembly	CHF	4.00	100	●	▲
The Swatch Group Distribution SA, Bienne	Logistics and distribution	CHF	1.00	100	●	■
The Swatch Group Far East Distribution Ltd, Bienne	Distribution	CHF	0.10	100	●	■
The Swatch Group Immeubles SA, Neuchâtel	Real estate project & property management	CHF	0.50	80	●	▼
The Swatch Group Les Boutiques SA, Le Grand-Saconnex	Retail	CHF	3.00	100	●	■
The Swatch Group Management Services SA, Bienne	Services and licences	CHF	0.05	100	●	▼
The Swatch Group Recherche et Développement SA, La Tène	Research and development	CHF	0.10	100	●	▼
Tiffany Watch Co. Ltd, Bienne	Watches	CHF	20.00	100	●	■
Time Flagship AG, Zürich	Retail	CHF	6.00	100	●	■
Tissot SA, Le Locle	Watches	CHF	5.00	100	●	■
Universo SA, La Chaux-de-Fonds	Watch hands	CHF	0.67	100	●	▲
Valdar SA, Le Chenit	Watch components	CHF	0.05	100	●	▲
Vica Sàrl, Lausanne	Watches	CHF	0.20	100	●	■

Germany

Company name, Registered offices	Field of Activity		Capital in millions	Swatch Group Shareholdings %	Consoli-dation	Segment
Altweiler Grundstücks-GmbH, Lörrach	Real estate	EUR	0.03	95	●	▼
Deutsche Zifferblatt Manufaktur GmbH, Pforzheim	Watch dials	EUR	0.10	100	●	▲
Glashütter Uhrenbetrieb GmbH, Glashütte	Watches	EUR	0.51	100	●	■
ST Innovation GmbH, Leipzig	Sports timing technology & equipment	EUR	0.05	100	●	◆
ST Sportservice GmbH, Leipzig	Sports timing technology & equipment	EUR	3.47	100	●	◆
Swiss Prestige Uhren Handel GmbH, Eschborn	Inactive	EUR	0.08	100	●	■
The Swatch Group Customer Service (Europe) GmbH, Glashütte	Customer service	EUR	0.50	100	●	■
The Swatch Group (Deutschland) GmbH, Eschborn	Distribution	EUR	1.28	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

32. THE SWATCH GROUP COMPANIES – AS AT 31.12.2009

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
The Swatch Group (Deutschland) Les Boutiques GmbH, Eschborn	Retail	EUR 0.20	100	●	■
Union Uhrenfabrik GmbH, Glashütte	Watches	EUR 0.10	100	●	■
Austria					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution	EUR 0.04	100	●	■
Belgium					
The Swatch Group (Belgium) SA, Anderlecht	Distribution	EUR 1.75	100	●	■
The Swatch Group Participation SA, Anderlecht	Holding	EUR 2.09	100	●	▼
Spain					
The Swatch Group (España) SA, Alcobendas	Distribution	EUR 0.45	100	●	■
France					
Breguet, Paris	Inactive	EUR 0.04	100	●	■
Fabrique de Fournitures de Bonnétage FFB, Villers-le-Lac	Watch components and precision parts	EUR 0.29	100	●	▲
Frésard Composants, Charquemont	Watch components	EUR 1.80	100	●	▲
Société Européenne de Fabrication d'Ebauches d'Annemasse (SEFEA), Annemasse	Watch components and electronic assembly	EUR 0.67	100	●	▲
Tech Airport Développement, Paris	Retail	EUR 0.30	100	●	■
Tech Airport Holding, Paris	Holding	EUR 10.00	100	●	■
Tech Airport Nice, Paris	Retail	EUR 5.00	100	●	■
Tech Airport Orly, Paris	Retail	EUR 1.00	100	●	■
Tech Airport Roissy, Paris	Retail	EUR 3.80	100	●	■
The Swatch Group (France) SAS, Paris	Distribution	EUR 15.00	100	●	■
The Swatch Group (France) Les Boutiques, Paris	Retail	EUR 34.93	100	●	■
Universo France, Besançon	Watch hands	EUR 1.00	100	●	▲
Great Britain					
The Swatch Group (UK) Ltd, London	Distribution	GBP 2.00	100	●	■
Greece					
Alkioni SA, Athens	Retail	EUR 0.06	100	●	■
The Swatch Group (Greece) SA, Athens	Distribution	EUR 0.06	100	●	■
Italy					
Lascor S.p.A, Sesto Calende	Watch cases and bracelets	EUR 1.00	100	●	▲
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR 0.01	100	●	■
The Swatch Group (Italia) S.p.A., Rozzano	Distribution	EUR 23.00	100	●	■
The Swatch Group (Italia) Les Boutiques S.p.A. in liquidazione, Rozzano	In liquidation	EUR 0.12	100	●	■
Luxembourg					
The Swatch Group Finance (Luxembourg) SA, Alzingen	Finance company	CHF 1 000.00	100	●	▼
The Swatch Group Financial Services (Luxembourg) SA, Alzingen	Finance company	EUR 5.00	100	●	▼
The Swatch Group Re (Luxembourg) SA, Alzingen	Reinsurance	EUR 1.23	100	●	▼
Netherlands					
The Swatch Group (Netherlands) BV, Maastricht	Distribution	EUR 0.70	100	●	■
Poland					
The Swatch Group (Polska) Sp.zo.o., Warszawa	Distribution	PLN 5.00	100	●	■
Portugal					
The Swatch Group (Europa) – Sociedade Unipessoal SA, Funchal	Distribution	EUR 24.14	100	●	■
The Swatch Group (Europa II) Retail – Sociedade Unipessoal SA,Funchal	Retail	EUR 0.10	100	●	■
Russia					
Swiss Watch Le Prestige OOO Russia, Moscow	Distribution	RUB 0.20	100	●	■
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 1 265.22	100	●	■
Sweden					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	■
Czech Republic					
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK 2.01	51	●	◆
ST Software s.r.o., Liberec	Sports timing technology & equipment	CZK 0.10	80	●	◆
Africa					
South Africa					
The Swatch Group (South Africa) (Proprietary) Ltd, Sandton	Distribution	ZAR 0.00	100	●	■
America					
Brazil					
The Swatch Group do Amazonas SA, Manaus	Inactive	BRL 4.93	100	●	■
The Swatch Group do Brasil Ltda, São Paulo	Customer service	BRL 14.05	100	●	■
Canada					
The Swatch Group (Canada) Ltd, Toronto	Distribution	CAD 4.50	100	●	■
United States					
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD 0.04	100	●	◆
e-swatch-us Inc., Wilmington, Delaware	e-Commerce	USD 0.00	100	●	■
HiPoint Technology Inc., Colorado Springs	Microelectronics	USD 0.17	25	○	◆
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution	USD 168.90	100	●	■
The Swatch Group Les Boutiques (U.S.) Inc., Wilmington, Delaware	Retail	USD 0.00	100	●	■
Time Sales Inc., Dover, Delaware	Retail	USD 1.00	50	○	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

32. THE SWATCH GROUP COMPANIES – AS AT 31.12.2009

Company name, Registered offices	Field of Activity		Capital in millions	Swatch Group Shareholdings %	Consoli-dation	Segment
Mexico						
Prestadora de Servicios Relojeros SA de CV, Mexico DF	Watch services	MXN	1.50	100	●	■
The Swatch Group Mexico SA de CV, Mexico DF	Distribution	MXN	43.65	100	●	■
Panama						
The Swatch Group Panama SA, Panama City	Commercial services	USD	0.01	100	●	■
Asia						
Greater China						
Hengdeli Holdings Limited, Hong Kong	Retail	CNY	19.34	9	○	■
Lanco Watches Ltd, Hong Kong	Inactive	USD	0.07	100	●	■
O Grupo Swatch (Macau) Limitada, Macau	Retail	MOP	1.50	100	●	■
Shanghai Ruihengqi Watch Commerce Co. Ltd., Shanghai	Retail	CNY	30.00	50	●	■
Shanghai Rui Jing Retail Co., Ltd., Shanghai	Retail	CNY	20.25	100	●	■
Shanghai Rui Wan Retail Co. Ltd., Shanghai	Retail	CNY	4.00	100	●	■
Shanghai SMH Watch Service Center Co. Ltd, Shanghai	Customer service	CNY	21.06	100	●	■
Shanghai Swatch Art Centre Co. Ltd., Shanghai	Real estate	CNY	148.41	90	●	▼
SMH Les Boutiques (Shanghai) Co. Ltd, Shanghai	Retail	CNY	88.77	100	●	■
SMH Swiss Watch Trading (Shanghai) Co. Ltd, Shanghai	Distribution	CNY	7.12	90	●	■
SMH Technical Services (Shenzhen) Co. Ltd., Shenzhen	Commercial services	CNY	10.45	100	●	■
The Swatch Group (Asia) Inc. Ltd, Hong Kong	Commercial services	HKD	0.00	100	●	■
The Swatch Group (China) Ltd, Shanghai	Distribution	CNY	14.88	100	●	■
The Swatch Group (Hong Kong) Ltd, Hong Kong	Distribution	HKD	5.00	100	●	■
The Swatch Group (Taiwan) Ltd, Taipei	Distribution	TWD	28.00	100	●	■
Zhuhai SMH Watchmaking Co. Ltd, Zhuhai	Components	CNY	74.57	100	●	▲
South Korea						
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW	4 300.00	100	●	■
United Arab Emirates						
Rivoli Investments L.L.C., Dubai	Retail	AED	24.02	15	○	■
Swatch Group Retail Middle East L.L.C., Dubai	Retail	AED	0.30	49	●	■
India						
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR	1 030.00	100	●	■
Japan						
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY	3 700.00	100	●	■
Malaysia						
Micromechanics (M) Sdn Bhd, Ipoh	Assembly, watch components	MYR	35.00	100	●	▲
Swiss Luxury Watch & Jewelry Sdn Bhd, Kuala Lumpur	Retail	MYR	7.00	51	●	■
The Swatch Group (Malaysia) Sdn Bhd, Kuala Lumpur	Distribution	MYR	0.50	95	●	■
Singapore						
The Swatch Group S.E.A. (S) Pte Ltd, Singapore	Distribution	SGD	4.00	95	●	■
Thailand						
ETA (Thailand) Co. Ltd, Samut Prakan	Movements and components	THB	504.50	100	●	▲
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution	THB	400.00	100	●	■
Wachirapani Co. Ltd in Liquidation, Bangkok	In liquidation	THB	3.06	49	●	▼
Oceania						
Australia						
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution	AUD	0.40	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of The Swatch Group Ltd, which comprise the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 152 to 204), for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin	Roy Bächinger
Audit expert	Audit expert
Auditor in charge	

Basel, 3 March 2010

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INCOME STATEMENT OF THE HOLDING

	Notes	**2009** **CHF million**	2008 CHF million
Income from investments in subsidiaries	(1)	**479**	851
Financial income	(2)	**45**	30
Other income		**10**	10
Total income		**534**	891
Personnel expense		**–48**	–46
General expense		**–12**	–14
Depreciation and impairment		**–33**	–5
Interest expense	(3)	**–7**	–29
Exchange differences and other financial expenses	(4)	**1**	–124
Taxes		**–2**	–1
Total expenses		**–101**	–219
Net income		**433**	672

BALANCE SHEET OF THE HOLDING

Assets		31.12.2009		31.12.2008	
	Notes	CHF million	%	CHF million	%
Non-current assets					
Property, plant and equipment		**14**	**0.5**	12	0.4
Financial assets					
– Long-term loans to Group companies		**120**	**4.3**	159	5.4
– Investments in subsidiaries	(5)	**2 063**	**74.2**	2 045	70.0
Total non-current assets		**2 197**	**79.0**	2 216	75.9
Current assets					
Receivables from Group companies		**47**	**1.7**	108	3.7
Other receivables and accrued income		**37**	**1.3**	23	0.8
Marketable securities and precious metals	(6)	**469**	**16.9**	513	17.6
Cash and cash equivalents		**30**	**1.1**	60	2.1
Total current assets		**583**	**21.0**	704	24.1
Total assets		**2 780**	**100.0**	2 920	100.0

BALANCE SHEET OF THE HOLDING

Equity and liabilities	Notes		**31.12.2009 CHF million**	**%**		31.12.2008 CHF million	%
Equity							
Share capital			**125**	**4.5**		125	4.3
General reserve			**67**	**2.4**		67	2.3
Reserve for treasury shares			**629**	**22.6**		629	21.5
Special reserve			**1 007**	**36.2**		557	19.1
– Profit brought forward		**33**			34		
– Net profit for the year		**433**			672		
Available earnings			**466**	**16.8**		706	24.2
Total equity	(7)		**2 294**	**82.5**		2 084	71.4
Liabilities							
Provisions			**155**	**5.6**		141	4.8
Payables to Group companies			**307**	**11.1**		652	22.3
Other liabilities			**4**	**0.1**		7	0.2
Accrued expenses			**20**	**0.7**		36	1.2
Total liabilities			**486**	**17.5**		836	28.6
Total equity and liabilities			**2 780**	**100.0**		2 920	100.0

NOTES TO THE FINANCIAL STATEMENTS

General

The financial statements of The Swatch Group Ltd comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

Risk management

The Board of Directors, the Executive Group Management Board as well as all key members of The Swatch Group Ltd have always considered the aspect of risk monitoring in their regular entrepreneurial function and in their decisions. Their constant process relating to all aspects of the business also includes a close attention to any impacts on the financial reporting. For this purpose, appropriate tools and measures are in place which permit a pro-active and constant flow of information, building the basis for timely decisions as required in a dynamic environment.

Valuation principles

On the balance sheet, assets and liabilities are recorded at net realizable values. Exceptions to this rule are investments in subsidiaries, which are shown at their acquisition cost less appropriate write-downs, and treasury shares reserved for the management stock option plan as well as shares bought back by the company that are shown at lower of cost or market.
All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.

Details to specific items

1. Income from investments in subsidiaries

(CHF million)	**2009**	2008
Dividends	**431**	730
Other income	**48**	121
Total	**479**	851

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies. In 2008 a gain of CHF 65 million was realized relating to the sale of two Group companies.

2. Financial income

(CHF million)	**2009**	2008
Interest income	**4**	9
Income and gains on securities	**41**	21
Total	**45**	30

The decrease of interest income is mainly due to lower interest rates. The company recorded capital gains on its investment portfolio of CHF 41 million. This figure was partly offset by losses of CHF 6 million (see Note 4).

3. Interest expense

In 2009, interest expense decreased by CHF 22 million compared with 2008. The lower interest expense reflects the decrease of the average amount of borrowings.

4. Exchange differences and other financial expenses

This item decreased by CHF 125 million compared with the previous year. Thanks to currency hedging contracts taken out to protect the Group's companies, the currency translation item was positive by CHF 7 million (2008: CHF 14 million). The loss recorded on the securities portfolio, including other financial expenses, amounted to CHF 6 million (2008: CHF 138 million).

5. Investments in subsidiaries

The list of 161 legal entities, including minority investments, held directly or indirectly by the company and consolidated at Swatch Group level, is published in Note 32 of the consolidated financial statements in this report.
Investments in subsidiaries accounted for 74.2% of total assets at 31 December 2009 versus 70.0% at end-2008. In absolute terms, the value of investments in subsidiaries amounted to CHF 2 063 million at end-2009. This amount corresponds to consolidated investments and investments in associates, and is CHF 18 million higher than in 2008.

NOTES TO THE FINANCIAL STATEMENTS

6. Marketable securities and precious metals

(CHF million)	**31.12.2009**	31.12.2008
Marketable securities	**227**	201
Own shares	**225**	225
Precious metals	**17**	87
Total	**469**	513

Marketable securities increased in 2009 by CHF 26 million, mainly thanks to unrealized fair value gains. The position "Own shares" includes the treasury shares bought back in 2008 as well as the registered treasury shares destined for the special management stock option plan.

7. Equity

The total value of treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2009 corresponded to 5.8% (versus 5.8% at end-2008) of the nominal value of total share capital.
See table on page 212 showing changes in The Swatch Group Ltd's treasury stock.
The table below shows the changes in equity:

(CHF million)	**Share capital**	**General reserve**	**Reserve for treasury shares**	**Special reserve**	**Available earnings**	**Total equity**
Balance at 31.12.2008	**125**	**67**	**629**	**557**	**706**	**2 084**
Allocated in 2009				450	–450	**0**
Dividend paid out					–223	**–223**
Net income for the year					433	**433**
Balance at 31.12.2009	**125**	**67**	**629**	**1 007**	**466**	**2 294**

Compared with end-2008, equity increased by CHF 210 million to CHF 2 294 million in 2009. In percentage of total assets the equity ratio increased to 82.5% at 31 December 2009 (versus 71.4% in the previous year).

Share capital

At 31 December 2009, share capital consisted of 124 045 000 registered shares each with a nominal value of CHF 0.45, and of 30 840 000 bearer shares each with a nominal value of CHF 2.25 (unchanged from the previous year).

Balance sheet date	**Registered shares**	**Bearer shares**	**Share capital in CHF**
31.12.2008	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2009	**124 045 000 at CHF 0.45**	**30 840 000 at CHF 2.25**	**125 210 250.00**

NOTES TO THE FINANCIAL STATEMENTS

Principal shareholders at 31 December 2009

At 31 December 2009, the Hayek Pool, its related companies, institutions and individuals held 63 301 445 registered shares and 201 325 bearer shares, equivalent to 41.0% of the shares issued at this date (previous year: 40.7%). The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Mr. N. G. Hayek	Meisterschwanden	N. G. Hayek
WAT Holding AG	Meisterschwanden	N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	J.N. Schneider-Ammann and Ammann families
Swatch Group Pension Fund	Neuchâtel	–

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name/Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	N. G. Hayek
Mr N. G. Hayek and family members		N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	–
Families Ammann (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by J. N. Schneider-Ammann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	–
Wohlfahrtsstiftung der Renata AG	Itingen	–
Fonds de prévoyance d'Universo SA	Neuchâtel	–

In the context of the pool, the group of Mr. N. G. Hayek and related parties controlled in total 40.2% of the shares issued at end-2009 (40.0% at end-2008), of which 4.8% were represented by the Hayek Pool (4.5% at end-2008).
At the same date, Mrs. Esther Grether's group controlled 7.5% of the shares issued (compared with 7.5% a year earlier).
At 31 December 2009, the Swatch Group was not aware of any other group or individual shareholder having an interest of more than 5% of the total share capital.

Reserve for treasury shares

The reserve for treasury shares was valued using the weighted average purchase price method. On the Holding balance sheet, it amounted to CHF 629 million on 31 December 2009 (previous year CHF 629 million), and thereby covers the treasury shares recognized as assets on the balance sheets of Group companies at year-end.
The number of treasury shares held directly or indirectly by The Swatch Group Ltd changed in 2009 as shown in the table below:

Shares held by:	Registered shares	Bearer shares
	Quantity*	Quantity
The Swatch Group Ltd		
Balance at 31.12.2008	5 301 791	505 000
Acquisitions in 2009	0	0
Disposals in 2009	–215 730	0
Cancellations in 2009	0	0
Balance at 31.12.2009	**5 086 061**	**505 000**
Other consolidated companies		
Balance at 31.12.2008	8 398 368	0
Acquisitions in 2009	0	0
Conversions in 2009	0	0
Balance at 31.12.2009	**8 398 368**	**0**
Total balance at 31.12.2009	**13 484 429**	**505 000**

*of which at 31 December 2009 2 356 309 registered shares were reserved for the management stock option plan (2 572 039 registered shares in 2008).

The movements in 2009 related exclusively to the management stock option plan.

NOTES TO THE FINANCIAL STATEMENTS

Available earnings
In compliance with the resolution approved at the Annual General Meeting of 15 May 2009, a dividend of CHF 0.85 per registered share and of CHF 4.25 per bearer share was appropriated from available earnings as at 31 December 2008. The total dividend amount paid to shareholders in 2009 came to CHF 93 793 115 on the registered shares and CHF 128 923 750 on the bearer shares. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned AGM, no dividends were paid on the treasury shares held by the Swatch Group. This amount, which would have totaled CHF 13 791 385, thus constituted an integral part of equity at 31 December 2009. Finally, CHF 450 million was appropriated from available earnings at 31 December 2008 and allocated to the special reserve.

Off-balance-sheet items

Contingent liabilities
At end-2009, guarantees provided by The Swatch Group Ltd amounted to CHF 422 992 400 (compared with CHF 433 752 000 a year earlier). This item includes:
- A guarantee of CHF 422 322 400 (vs. CHF 433 124 800 in 2008) relating to the convertible bond of CHF 411 600 000 at 2.625%, issued by The Swatch Group Finance (Luxembourg) SA on 15 October 2003 and maturing on 15 October 2010. At end-2009, 16 of these bonds with a nominal value of CHF 5 000 each had been converted into shares (same situation at end-2008).
- As in 2008, a guarantee of GBP 400 000 (equivalent to CHF 670 000 at 31 December 2009; CHF 627 200 at 31 December 2008) to cover a commitment relating to a lease taken out by one of the Group's companies.

Fire insurance values
At 31 December 2009, the fire insurance value of property, plant and equipment amounted to CHF 40 995 100 (CHF 37 586 500 at end-2008).

Assets pledged
None of the company's assets are pledged.

Commitments
Other commitments entered into by the company and open at 31 December 2009 amounted to CHF 1 million (versus CHF 1 million in the previous year), corresponding to investment commitments in financial assets.

Financial derivative instruments
The following table shows the contract and replacement values of derivative financial instruments at 31 December 2009.

Type	Contract value			Positive replacement value			Negative replacement value		
(CHF million)	Third party	Group	Total	Third party	Group	Total	Third party	Group	Total
Forward contracts	454	271	725	3	1	4	–1	–3	–4
Options			0			0			0
Total at 31.12.2009	**454**	**271**	**725**	**3**	**1**	**4**	**–1**	**–3**	**–4**
Total at 31.12.2008	546	391	937	15	3	18	–3	–17	–20

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2009 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2009 relate to 30 positions held in precious metals and in foreign currencies (previous year: 16). Intra-Group contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intra-group financial transactions. At 31 December 2009, there was no option outstanding (none in the previous year).

Liabilities to pension plans

The balance sheet as at end-2009 contained no liability to pension plans (no liability to pension in 2008).

Management compensation disclosures

The disclosures required by the Swiss Code of Obligations on management compensation are shown in Note 30 of the consolidated financial statements.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting that available earnings be appropriated as follows:

	2009	2008
	CHF	CHF
Net income for the year	**432 821 927**	671 900 167
Profit brought forward from previous year	**33 496 933**	34 313 631
Available earnings	**466 318 860**	706 213 798
Allocation to special reserve	**–230 000 000**	–450 000 000
Payment on share capital of CHF 125 210 250.00		
of a 2008 dividend, i.e.:		
– CHF 0.85 per registered share with a par value of CHF 0.45		–105 438 250
– CHF 4.25 per bearer share with a par value of CHF 2.25		–131 070 000
Payment on share capital of CHF 125 210 250.00*		
of a 2009 dividend, i.e.:		
– CHF 0.80 per registered share with a par value of CHF 0.45	**–99 236 000**	
– CHF 4.00 per bearer share with a par value of CHF 2.25	**–123 360 000**	
Dividends not paid out on own shares held by the Group **		13 791 385
Balance carried forward	**13 722 860**	33 496 933

* It is planned not to pay dividends on own shares held by the Group.

** Based on the decision of the Annual General Meeting of 15 May 2009, the dividend due on own shares held by the Group was not paid out.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of The Swatch Group Ltd, Neuchâtel, which comprise the balance sheet, income statement and notes (pages 207 to 213), for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin	Roy Bächinger
Audit expert	Audit expert
Auditor in charge	

Basel, 3 March 2010

THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding/ Average share capital	**2009 basic**	**2008 basic**	**2007 basic**	**2006 basic**	**2005 basic**
Number of registered shares of CHF 0.45	**110 446 207**	111 605 632	115 882 234	118 110 673	122 004 798
Number of bearer shares of CHF 2.25	**30 335 000**	30 596 542	31 485 875	31 981 500	32 788 496
Total average number of shares outstanding	**140 781 207**	142 202 174	147 368 109	150 092 173	154 793 294
Share capital registered shares of CHF 0.45	**49 700 793**	50 222 534	52 147 005	53 149 803	54 902 159
Share capital bearer shares of CHF 2.25	**68 253 750**	68 842 220	70 843 219	71 958 375	73 774 116
Total average share capital	**117 954 543**	119 064 754	122 990 224	125 108 178	128 676 275

Key data per registered share (nom CHF 0.45) in CHF	**2009**	**2008**	**2007**	**2006**	**2005**
Consolidated net income	**2.89**	3.15	3.70	2.97	2.15
Cash flow from operating activities	**3.39**	1.93	3.20	3.18	2.76
Consolidated shareholders' equity	**22.74**	20.55	19.43	17.83	16.02
Dividend	**0.80***	0.85	0.85	0.70	0.50

Key data per bearer share (nom CHF 2.25) in CHF	**2009**	**2008**	**2007**	**2006**	**2005**
Consolidated net income	**14.47**	15.75	18.49	14.87	10.74
Cash flow from operating activities	**16.99**	9.67	16.01	15.89	13.82
Consolidated shareholders' equity	**113.85**	102.73	97.13	89.17	80.09
Dividend	**4.00***	4.25	4.25	3.50	2.50

Stock price of registered shares (adjusted)	High	**51.70**	66.75	76.50	54.95	40.15
	Low	**23.05**	23.20	53.90	38.50	30.90
	31.12.	**49.40**	28.50	66.85	54.50	39.75
Stock price of bearer shares (adjusted)	High	**268.75**	340.00	397.00	274.00	197.30
	Low	**118.50**	115.50	266.25	184.10	152.40
	31.12.	**261.90**	145.80	341.25	269.25	195.00
Market capitalization (CHF million)	31.12.	**14 205**	8 032	19 367	15 882	11 809

Key ratios (year-end)		**2009**	**2008**	**2007**	**2006**	**2005**
Average return on equity	%	**13.30**	15.50	19.70	17.30	14.00
Dividend yield registered shares	%	**1.60**	3.00	1.30	1.30	1.30
Dividend yield bearer shares	%	**1.50**	2.90	1.20	1.30	1.30
Price / earnings ratio – registered shares		**17.10**	9.00	18.10	18.30	18.50
Price / earnings ratio – bearer shares		**18.10**	9.30	18.50	18.10	18.20

Securities	**Securities no.**	**Reuters Symbol**
The Swatch Group Ltd registered shares	1 225 514	UHRN.S
The Swatch Group Ltd bearer shares	1 225 515	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange

* Board of Directors' proposal.

Evolution of the Swatch Group Ltd registered shares and the Swiss Market Index (1988–2009)


swatch
BERLIN-TEM
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