

# ANNUAL REPORT 2010

The Swatch Group logo features the text "SWATCH GROUP" in a bold, blue, sans-serif font. Above the letters "A", "C", "E", and "H" are four red circular icons: a solid red dot, a red circle with a white dot inside, a red circle with a white horizontal line, and a red circle with a white cross.

1 gram of gold = 1700 balance screws



"Swatch Group is a pearl which is going to grow and give pleasure to its employees and clients. My operational part of the business will always become smaller, but my visions will stay."

NGH



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Swatch Group's Annual Report is published in French, German and English.  
The text on pages 1 to 138 is originally published in French, the text on pages 139 to 150  
in German and the text on pages 151 to 224 in English. These original versions are binding.

# MESSAGE FROM THE CHAIR

**Dear Madam, Dear Sir,  
Dear Co-Shareholders,**

It is rather difficult to take pleasure in recapping a year that was darkened by the huge shadow cast in early summer when the founder and Chairman of Swatch Group's Board of Directors, Nicolas G. Hayek, passed away. Still, even in this context, it is gratifying to be able to report extremely positive business results – results that confirm the strategic soundness of the choices made and upheld during recent years by our Board of Directors and its Chairman, my father. These choices, which our company's Executive Management Board and Extended Group Management Board have tirelessly implemented – enthusiastically, forcefully and scrupulously – and which the entire staff and all our partners have supported, have now translated into a record net operating income that surpasses the historic results of 2007.

Let's review some key numbers for 2010:

– Record gross sales of 6440 million Swiss francs, which exceed the previous year's by 18.8% despite a negative currency effect of 164 million Swiss francs due mainly to the weakness of the euro and currencies tied to the dollar in the second half of 2010 – a negative impact that has been taken into account in these figures.

– A record operating profit of 1436 million Swiss francs, with an operating margin of 23.5%, versus 17.6% in 2009 – a considerable improvement. Net income at 1080 million Swiss francs, representing an increase of 41.5% over the previous year and 6.4% over 2007's record –

despite losses resulting from very unfavorable exchange rates. This improved performance was generated mainly by increased capacity utilization and the usual stringent cost containment.

– Substantial equity of 7.1 billion Swiss francs, or 82.4% of the total equity and liabilities (versus 77.6% in 2009). The conversion of the convertible bond amounting to 385 million Swiss francs in October 2010 also contributed to this strong equity. The average return on equity was a remarkable 16.5% (versus 13.3% in the previous year). Operating cash flow also increased significantly. Thanks to the strong equity and high level of liquidity, Swatch Group is in a position to take advantage of any interesting opportunities to increase its market share and presence.

The exceptional results show that Swatch Group's Board of Directors and Management Board were right in their decision during the crisis in late 2008 and early 2009 to safeguard every workplace for which they hold the responsibility. The support and the given trust from our shareholder's also contributed to these outstanding results; therefore the Board of Directors will propose to the General Assembly on May 31, 2011, a dividend increased by 25% to 5.00 Swiss francs per bearer share (4.00 Swiss francs in the previous year) and 1.00 Swiss francs per registered share (0.80 Swiss francs in the previous year). This increase is fully justified by 2011's promising start and by the positive outlook for the entire year despite the current strength of the Swiss franc which disadvantages our products on the world markets.

Nicolas G. Hayek ...



... relaxed, ...



... happy, ...



... annoyed, ...



... persuasive, ...

**"In my opinion, and contrary to popular belief, an entrepreneur is not simply someone who owns a company. Far from it."**

NGH

There have been some significant adjustments to our Board of Directors. In March 2010, the Board announced that it would propose that the General Assembly bring Mr. Jean-Pierre Roth – the former Chairman of the Governing Board of the Swiss National Bank – and my brother Mr. Nick Hayek – the President of our company’s Executive Management Board – into our company’s highest authority. These decisions, which had already been made long before by the Board with my father’s full agreement, have bolstered our expertise in both the financial domain, in which Mr. Roth is a noted authority, and the industrial realm, in which Nick Hayek has shown extraordinary abilities ever since his appointment as the Swatch Group’s CEO. These adjustments, including my own appointment in March as the Vice-Chair of the Board of Directors alongside Mr. Peter Gross, together with support from Ms. Grether, Mr. Nicollier and Mr. Tanner, have enabled us to weather two significant events experienced by the Board this year: first, a dramatic one, the passing of my father Nicolas G. Hayek on June 28, 2010; the other, a thrilling one, even though it took a comrade from us: the resignation of Johann Niklaus Schneider-Ammann following his election to the Swiss Federal Council on September 22, 2010.

I was elected Chair of Swatch Group’s Board of Directors on June 30, which enabled us to work with perfect continuity despite our personal grief. Our Board, which consists exclusively of Swiss citizens residing in our country, remains one of the best among the large Swiss companies. Its members are notable individuals whose expertise qualifies them to define together, over the coming years, the



strategy for our future. This composition will continue to guarantee our company’s long-term development for our shareholders, our employees, our clients, and our friends – all those who admire Swatch Group for its refusal to yield to hazardous short-term speculations, a practice which my father so strongly criticized in this same report in 2008.

I will come back to my father’s passing in a moment.

First, I would like to thank Johann Niklaus for the decade he spent on our Board of Directors: for his faithfulness and loyalty, his perceptiveness, his strong commitment to the notion of “entrepreneur,” his humor and sense of fair play – especially when my father challenged him on the strategies of the political party to which he belongs – and for many things that fall more within the realm of friendship than of business. He will certainly be – in fact already is – a highly competent public servant for our country.



... attentive, ...



... sympathetic, ...



... argumentative, ...



... honored (Dr honoris causa), ...

“Entrepreneurs are first and foremost imaginative and innovative artists – with highly developed communication skills, curious about new ideas, able to reflect critically on themselves and on the society in which they live, fascinated by beauty and extremely sensitive to the fate of our planet.”

*Nicolas G. Hayek, Address to economiesuisse, Baden, 2008.*

Yes, my father left us on June 28, 2010. His heart failed while he was doing what he loved: working. It is not possible to elaborate here on our family's sadness at this loss, or more specifically on my own grief. There are many things I would like people to remember when they think of him, things that especially characterized my father in his public and professional life. You will understand if we keep our most personal memories to ourselves: the memories of who he was to his wife, my mother Marianne; to his son Nick; his grandson Marc; and to me, which only I can measure and which is not an easy thing to share in the context of this Annual Report. I hope he will be remembered for his enthusiasm, his imagination, his refusal to accept established conventions without first challenging them and, so often, showing their irrationality. My father was someone who went against the tide and loved freedom; a man of very strong character who liked to assert himself, sometimes very bluntly; a person with inexhaustible curiosity and energy. Perhaps less note has been taken of the more unassuming sides of his personality, such as his business acumen and his great ability to motivate those who worked with him to help them express their gifts, or his great literary and musical culture and his admiration for science. Not to mention his incredible capacity for work, which seems obvious given the results he achieved during his professional life, including the first six months of 2010; however, it was not always conspicuous because he seemed to be having so much fun while he worked. I hope each of you will remember what you wish about this exceptional man – but may you remember it for a long time. This year's Annual Report

neither tells his story nor serves as a monument to him. It merely provides a few "snapshots," not part of any logical scheme, and not claiming to be exhaustive – just a few emotional moments in his life while he supported Swatch Group as the Chairman of its Board of Directors since 1986. The reason I have assumed this position is to keep his spirit and his work alive, and I will do so.

Concerning Swatch Group's Executive Group Management Board and Extended Group Management Board, I must report a slight decline in the number of members since last year with the resignation of Mr. Rudolf Semrad, who will be focusing exclusively on managing our Austrian subsidiary, which is an important market for our company. Marc A. Hayek, my son, is taking on the Breguet and Jaquet Droz brands that were managed by my father. His extensive experience in high luxury brands and his thorough knowledge of the most sophisticated mechanical watchmaking, from which Blancpain has very successfully benefited, predestined him for this task.

Among the important changes in 2010, we will emphasize the excellent solution found for the Lasag company. It was sold to the American company Rofin-Sinar Technologies Inc., within which it will be able to grow more effectively than with Swatch Group. This will provide stability and development for the company's employees at its headquarters in Thun, Canton Bern. This sale fits in perfectly with the strategic line taken with past sales, those of Michel Präzisionstechnik, Sokymat Automotive and Microcomponents. Our focus on the watchmaking sector – Swatch Group having the ambition and the privilege of mastering all activities



... impatient, ...



... with the family, ...



... focused, ...



... crowned with success, ...

**“As a provocateur, I try to initiate change through provocation, irony or violent criticism, and also, if necessary, through logical explanation.”**

*Nicolas G. Hayek, Au-delà de la saga Swatch  
(Beyond the Swatch Saga).*

within the sector, thus continuing to be able to produce from A to Z all types of finished, mechanical, digital and mixed watches from the basic range to the prestige one – has led us to simplify some of our structures in order to make them more efficient. For example, Valdar was consolidated with François Golay, and in May, Frédéric Piguet’s long and productive collaboration with Blancpain was crowned by the company’s incorporation into its main partner’s structures, making it Swatch Group’s third very-high-level manufacture. This means that the Breguet, Blancpain and Jaquet Droz brands each have their own manufacture, all three of which can meet our clients’ calls for increasingly extraordinary feats of mechanical watchmaking. Tanzarella SA was acquired in July and the acquisition of Novi SA was announced in the final days of the year, both companies had ETA as an almost exclusive client. These acquisitions, along with the final consolidation of Indexor with Universo, also enable us to increase our strike force on the high-end and mid-range mechanical watches market.

Turning to product creation, we recall launches of the Type XXII 10 Hz by Breguet, the new Fifty Fathoms by Blancpain, the Ladymatic by Omega, new variations on the DolceVita by Longines, and the Colour Codes and New Gent collections by Swatch, to list only the most spectacular.

Other notable events included: the opening of four boutiques – Breguet, Blancpain, Omega and Swatch – in May at the Swatch Art Peace Hotel in Shanghai; the opening of a magnificent Breguet boutique on Bahnhofstrasse in Zurich with a museum that will exhibit important documents written by A. L. Breguet; the inauguration of nine

Omega boutiques in the United States alone; the opening of Blancpain, Jaquet Droz, Glashütte Original and Tissot boutiques in highly select locations in Paris; the expansion of the Tech-Airport network in world-class airports; and an increase in the number of Tourbillon boutiques, to name just a few. This move to rapidly develop our own mono- and multi-brand boutiques will continue in the coming years.

On a more glamorous note, we welcome partnerships with Kate Winslet (Longines) and Tony Parker (Tissot), and the continuation of our relationships with Nicole Kidman, George Clooney, Daniel Craig and many others.

This year, Swatch Group also reaffirmed its clear position on its environmental and social responsibility making a commitment not to use leathers, metals, or any other necessary raw materials in our products or our business dealings that are not obtained in an ethically irreproachable way.

I offer all of you, dear employees, shareholders, members of the executive staff and the Board of Directors my warmest thanks for your work, your unassuming but very noticeable support, and your friendship during 2010, which was so sad, and yet so brilliant.

**Nayla Hayek**  
Chair of the Board of Directors, Swatch Group



... amused, ...



... supported, ...



... in harmony, ...



... official yet merry.

**“My uncle told me once,  
Be careful, fate, fortune and chance  
are like a tramway. If you miss one,  
you should run to catch the next.”**

*Nicolas G. Hayek, Au-delà de la saga Swatch.*

NGH



# OPERATIONAL ORGANIZATION

as at December 31, 2010

## Watches

### Prestige and Luxury Range

Breguet, Blancpain, Glashütte Original, Jaquet Droz, Omega, Tiffany & Co., Léon Hatot

### High Range

Longines, Rado, Union Glashütte

### Middle Range

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

### Basic Range

Swatch, Flik Flak

### Private Label

Endura

## Retailing

Tourbillon, Tech Airport

## Production

### Watches

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

### Jewelry

Dress Your Body (DYB)

## Electronic Systems

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

## Corporate

Swatch Group Research and Development (Asulab, Moebius, 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, 2010

## 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 1, 2011



**Dr h.c. Nayla Hayek**  
Chair of the Board of Directors

## **Company Secretary**

Roland Bloch, Biel/Bienne

## **Auditors**

PricewaterhouseCoopers  
St. Jakobs-Strasse 25  
CH-4052 Basel

## **Administrative Headquarters**

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CH-2501 Biel/Bienne  
Phone +41 32 343 68 11  
Fax +41 32 343 69 11  
E-mail: [www.swatchgroup.com/contactus](http://www.swatchgroup.com/contactus)  
Internet: [www.swatchgroup.com](http://www.swatchgroup.com)

## **Registered Offices**

Faubourg de l'Hôpital 3  
CH-2000 Neuchâtel



**Dr Peter Gross**  
Vice-Chairman



**Esther Grether**



**Nick Hayek**



**Prof. Dr h.c. Claude Nicollier**



**Dr Jean-Pierre Roth**



**Ernst Tanner**

The function descriptions and responsibilities of the Board of Directors members at December 31, 2010, are outlined in the Corporate Governance chapter on pages 142 to 143 of the present Annual Report.

# EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2011



**Nick Hayek**

President of the Group Management Board



**Arlette-Elsa Emch**

Swatch, ck watch & jewelry,  
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, Oscilloquartz, Swiss Timing



**Marc A. Hayek**

Breguet, Blancpain, Jaquet Droz,  
François Golay, 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**

Swatch Group South Africa



**François Thiébaud**

Tissot, Certina, Mido,  
Swatch Group Brazil, Portugal,  
Swiss market

# EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2011



**Matthias Breschan**  
Rado, Hamilton, Swatch Group Austria,  
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, Logistics



**Walter von Känel**  
Longines



**Dr Thierry Kenel**  
Corporate Finances / Reporting,  
Investor Relations



**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



**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, 2010, are outlined in the Corporate Governance chapter on pages 144 to 147 of the present Annual Report.

# DEVELOPMENT OF THE SWATCH GROUP

<b>Swatch Group consolidated</b>		<b>2010</b>	2009	2008	2007	2006
<b>Gross sales</b>	<b>CHF million</b>	<b>6 440</b>	5 421	5 966	5 941	5 050
– Change from previous year	%	<b>18.8</b>	–9.1	0.4	17.6	12.3
<b>Net sales</b>	<b>CHF million</b>	<b>6 108</b>	5 142	5 677	5 646	4 820
– Change from previous year	%	<b>18.8</b>	–9.4	0.5	17.1	12.3
<b>Operating profit</b>	<b>CHF million</b>	<b>1 436</b>	903	1 202	1 236	973
– As a % of net sales	%	<b>23.5</b>	17.6	21.2	21.9	20.2
<b>Net income</b>	<b>CHF million</b>	<b>1 080</b>	763	838	1 015	830
– As a % of net sales	%	<b>17.7</b>	14.8	14.8	18.0	17.2
– Change from previous year	%	<b>41.5</b>	–8.9	–17.4	22.3	33.7
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>1 353</b>	890	511	875	884
– As a % of net sales	%	<b>22.2</b>	17.3	9.0	15.5	18.3
<b>Equity</b>	<b>CHF million</b>	<b>7 101</b>	5 981	5 451	5 329	4 967
– As a % of total assets	%	<b>82.4</b>	77.6	75.3	71.5	71.9
<b>Total assets</b>	<b>CHF million</b>	<b>8 614</b>	7 706	7 235	7 447	6 904
Personnel as at 31.12.	Employees	<b>25 197</b>	23 562	24 270	23 577	21 268
Annual average	Employees	<b>24 240</b>	23 727	24 269	22 505	20 572
Salaries and social benefits	CHF million	<b>1 634</b>	1 596	1 633	1 595	1 411

<b>The Swatch Group Ltd</b>		<b>2010</b>	2009	2008	2007	2006
Dividend income	CHF million	<b>564</b>	431	795	609	435
<b>Net income</b>	<b>CHF million</b>	<b>581</b>	433	672	586	444
Investments	CHF million	<b>2 091</b>	2 063	2 045	2 030	1 901
Share capital	CHF million	<b>125</b>	125	125	129	132
Equity	CHF million	<b>2 666</b>	2 294	2 084	2 190	2 097
– As a % of total assets	%	<b>91.9</b>	82.5	71.4	68.6	71.5
<b>Total assets</b>	<b>CHF million</b>	<b>2 901</b>	2 780	2 920	3 191	2 934
<b>Dividend*)</b>	<b>CHF million</b>	<b>278.2</b>	209.9	222.7	224.9	192.2
– As a % of share capital	%	<b>222.6</b>	167.9	178.2	174.3	145.6

\*1 No dividend paid on own shares held by the Group.

In May 2011, proposal by the Board of Directors at the Annual General Meeting.

# BIG BRANDS

WATCHES AND JEWELRY –  
RETAILING AND LANDMARKS





swatch<sup>®</sup>+



www.swatch.com

# SWATCH CODES

## Trends

For Swatch, 2010 was the Year of Plastic, with two very successful new collections: Colour Codes launched in February with 20 gents' watches in trendy colours, 10 shiny and 10 matt, offered at the same price as the original gents' models in the 1980s (50 francs in Switzerland). The year's second big hit was the New Gent Collection, featuring a big, completely new plastic Swatch. Both launches led to record sales in terms of quantities.

The looks and price of the Colour Codes and New Gent collections contributed to their worldwide success, as did local PR events. Special New Gent launch events took place in New York, Tokyo, Shanghai, Milan, Barcelona and Bern.

The Swatch store in the Swiss Pavilion at Expo Shanghai 2010 contributed to development in Asia, as did the opening of the first Swatch Chinese megastore at the Swatch Art Peace Hotel in Shanghai. Swatch also sponsored Chinese fashion designer Uma Wang during Shanghai Fashion Week in October. Hong Kong's strong retail presence and renewed travel and tourism generated the strongest growth in the region.

Western Europe remained an important region for Swatch, following the Colour Codes trend and benefiting from strong demand across all countries. Consumer enthusiasm brought excellent results in mature markets, with the strongest growth in France and Italy due also to a continuing policy of monobrand store expansion.

**"At the time,  
nobody really knew  
what to do with this  
innovation."**

**"At first we had a real flop."**



François Milliet, Kurt Furgler, Pierre Arnold and Nicolas G. Hayek at ETA in 1987.

# NGH

Despite the difficult economic situation, North America remains a large retail base for Swatch and showed growth above the worldwide trend in 2010.

Latin America saw strong growth as tourism recovered and the strong brand presence benefited from marketing actions ranging from sponsorship of a fashion show in Buenos Aires to a spectacular, high-profile PR event and party celebrating Oscar Niemeyer and the 50th Anniversary of Brasilia at Niemeyer's iconic Brasilia National Museum.

The Middle East saw continuing robust growth reflecting a long-term focus on retail development. 39 new locations were inaugurated, including the first Swatch store in Iran and two flagship stores of over 140 m<sup>2</sup> each in Saudi-Arabia, in Riyadh and Jeddah. Targeted and consistent marketing and PR activities underlined Swatch's fashion positioning throughout the region.

Transformation of the Swatch retail environment continued in 2010, building on momentum from the late 2009 launch of the redesigned Times Square megastore in NYC. Implementation of the new retail design concept continued with new store openings and renovations along with new Swatch displays highlighting a fresh, modern image with a strong product focus. The remarkable new Swatch flagship store debuted at the Swatch Art Peace Hotel in Shanghai, further enhancing the brand's image.

## Creation

**Annual Collections** Art, Fashion, and Sports are the three pillars supporting the brand, with new collections launched every month.

**Colour Codes** The hit Colour Codes Collection was launched in February with 20 monochrome gents' models in 20 trendy colors, along with six multicolor gents' watches by artists Cassette Playa, Gary Card and David Benedek.



"I was firmly convinced that the Swiss watch industry could become number one in the world again. That is what I told the Board of Directors, explaining that the Swatch watch would be our first response to the Japanese challenge. Most bankers present were completely dumbfounded and incredulous. At the time, I knew very well that if we did a good job, we could achieve something great with the Swatch. However, that it would be such an enormous success, with people lining up at four o'clock in the morning in the dead of winter to get a Swatch – including my wife Marianne and my daughter Nayla –, no one had imagined that." *Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*



## "Swatch: Second watch."



Nicolas G. Hayek with the 100 millionth Swatch at ETA on April 7, 1992.



**New Gent** Also very successful were the 10 colored plastic watches of the first-ever New Gent Collection. Colorful, Swatchy and equipped with a 41 mm case, the New Gent models offer plenty of room for designers to play with the brand’s signature features: colored plastic, eye-catching design, the latest in trendy colors and rugged, sporty materials.

**Swatch Art Collection** Some 800 guests attended the launch of the Swatch & Art Collection at London’s Shunt, where five new Art Specials by English fashion designer Cassette Playa, Indian designer Manish Arora, French artist Enki Bilal and Chilean sculptor and visual artist Ivan Navarro, created for – and together with – Swatch, captured the attention of guests and key fashion, art and lifestyle media.

**Specials** Swatch celebrates memorable events, holidays and special occasions with dedicated models inspired by fashion, art and sports. 2010 saw Swatch Specials for Valentine’s Day, Chinese New Year, Mother’s Day, and the winter holidays as well as sports-related editions for the Youth Olympic Games, beach volleyball and snowboarding. Fashion was the focus with *Diaphane One* and an exceptional collaboration with the noted Swiss high-fashion textile firm, Jakob Schlaepfer. Additional specials paid tribute to the Swatch Art Peace Hotel and the Swiss Pavilion at Expo Shanghai 2010, and the winner of the Swatch Young Illustrators Award designed a delightful limited edition, *Electricity Man*.

**“Swatch:  
high quality, low cost,  
provocation (peacefully  
challenging society),  
joy of life...”**

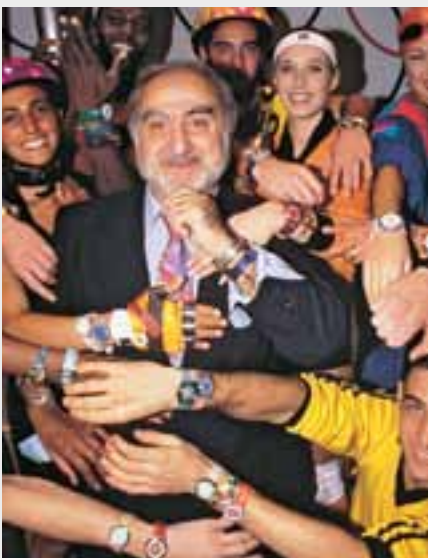


Nicolas G. Hayek (left, with his wife Marianne) in Zermatt in 1992 on the occasion of the “Swatch The World” party for the 100 millionth Swatch.

## Presence

**Advertising** The Colour Codes Collection was largely advertised in all media as well as in Swatch stores worldwide. Diverse advertising elements and a unique marketing campaign dedicated to the legendary Gent Originals strengthened Swatch's position in the worlds of Art, Fashion and Sports. Colour Codes was followed by a second tribute to the brand's fashion DNA, the New Gent Collection. The more mature design was reflected in advertising which made use of merchandising, window decoration, TV, cinema, web and outdoor advertising to further enhance the brand's core values and positioning.

**Swatch MTV Playground** The ongoing partnership with MTV brought increased presence in the digital arena with a website in 18 languages and dedicated editors scouting the world for art and design news and blogging on such topics as Illustration, Design, Fashion and Animation. The design competition, the Swatch MTV Playground Creative Competition, attracted more than 1700 entrants, and the winners were taken to Shanghai where they met with prominent Chinese artists and visited Expo Shanghai 2010 and the Swatch Art Peace Hotel. Swatch MTV Playground was well represented in China with social media activities on Kaixin001 and TV commercials on MTV China.



"The Swatch message is a message of hope. It advocates the ability to overcome obstacles, the preservation of know-how and continued production in Switzerland to ensure financial independence. The wonderful atmosphere which reigned during these three unforgettable days, coupled with the lively reaction of the press, politicians and industry, not forgetting all the Swatch fans present, indicated that the message was and continues to be warmly received."

*Swatch Group's Annual Report 1992, Message from the Chairman.*

The world of Swatch and collectors in 1996, with Nicolas G. Hayek.

**Fashion and Lifestyle Media** Swatch teamed up with 30 leading fashion editors and bloggers for two competitions, *How We Wear It* and *True Colours*, where editors created custom fashion content featuring Colour Codes and New Gent collection watches. Almost 100 fashion spreads appeared in participating magazines, enhanced by fashion videos on the magazine web sites, on swatch.com and across Swatch’s social media presence. Readers and Swatch fans were invited to identify their favorite entries and share the content with friends, resulting in an impressive viral effect with several hundred thousand persons voting and a significant amount of earned media.

**Swatch Online/Mobile** Swatch continued to support its classical campaigns with swatch.com, now present in 41 markets in 19 languages with increasing traffic in all regions. The site introduced a new search engine, *Swatch Finder*, allowing users to browse all Swatch watches from 1983 to the latest collections, including Art Specials and collectibles. Swatch created a mobile application for the iPhone with an innovative navigation showcasing visuals and products in support of the New Gent launch, and a Store Locator that uses iPhone’s GPS functionality to guide customers to the nearest Swatch Store.



Nicolas G. Hayek with the 200 millionth Swatch in 1996.



Michelle Hunziker, Nicolas G. Hayek and Blue Man Group in 2006 celebrating the 333 millionth Swatch.

**“Swatch is the watch of the poor man just as much as it is the watch of kings and queens.”**



**Sports Events** Swatch supports a broad range of popular sports events around the world. This year's **Swatch FIVB World Tour** brought 14 men's and 15 women's tournaments to 16 countries with accompanying events such as Klagenfurt's "Swatch Colour Codes Night" with Colour Codes campaign personalities Anne-Flore Marxer and Kaj Zackrisson, VIPs and a party with VJs Urban Knights.

The **Swatch TTR World Snowboard Tour** design competition drew entries from 91 countries. At the **Swatch Art Rules** night in Barcelona Swatch presented Axelle Dorado's winning designs for the TTR trophy and watch and crowned the TTR champions for 2010.

Swatch partnered with the **Red Bull X-Fighters FMX World Tour** and again organized **Swatch Free-4Style** with Swatch ProTeam FMX rider Mat Rebeaud at Estavayer-le-lac, Switzerland.

Swatch ProTeam snowboarder Xavier De Le Rue was crowned **Freeride World Tour** World Champ for the third time in a row, while ski princess Ane Enderud, who had only just joined the Swatch ProTeam, took the title in women's skiing.



Birth of Internet Time: Nicolas G. Hayek and Nick Hayek launch *Biel Mean Time* in 1998.



The *Swatchetables* by Alfred Hofkunst, 1991.



Nicolas G. Hayek and Nick Hayek in Venice in 2009 at the launch of the CreArt collection.

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**UCI BMX Supercross by Swatch** saw four world tour events. Swatch also served as Official Timekeeper and Data Handler of the BMX Supercross World Cup and World Championships.

Swatch organized **Swatch Girls Pro**, its first international female surfing contest, in Hossegor and Seignosse, France. For five days the girls surfed heat after heat. Freshly signed Swatch ProTeam surfer Coco Ho battled three-time ASP World Champ Stephanie Gilmore in a dramatic final and came close to winning.

**Swatch ProTeam** Swatch supports talented, top-notch athletes who embrace the brand's values of innovation, endurance, modernity and non-conformism. The athletes are passionate about what they do and have considerable influence and credibility in their chosen sports.

**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), Marja Persson (SWE) and Mirjam Jäger (SUI).

**Surfing:** Coco Ho (USA, Hawaii).

**FMX (Freestyle Motocross):** Mat Rebeaud (SUI), Busty Wolter (GER), Robbie Maddison (AUS) and Lance Coury (USA).

**BMX:** Sam Willoughby (AUS), Marc Willers (NZL), Robert de Wilde (NED) and Martijn Scherpen (NED).

**Beach Volleyball:** Martin Laciga & Jefferson Bellaguarda (SUI), Raul Mesa & Inocencio Lario Carrillo (ESP), Matthias Mellitzer & Clemens Doppler (AUT), Maria Elisa Antonelli & Talita Antunes da Rocha (BRA), Nadine Zumkehr & Simone Kuhn (SUI) and Sophie van Gestel & Daniëlle Remmers (NED).





## swatch<sup>®</sup>CLUB

**Swatch Club** Swatch Club launched fashion designer Cassette Playa's *Playa Look*, the Club Watch 2010, with an international PR event at the Shunt in London. Playa and fellow artists Ivan Navarro, and Enki Bilal were on hand, as were more than 100 media and 80 Club members. The London, Japan and Italy launches garnered new addresses in the fashion and art worlds, helped to increase member loyalty and had a significant media impact. Commemorative Swatch Specials, much appreciated by collectors, were given to Club members celebrating their passion for Swatch at a series of highly imaginative events around the world.

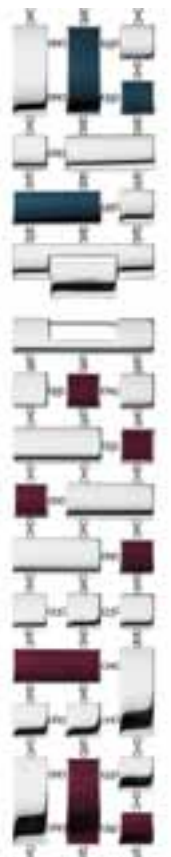
2010 saw the launch of the new online video platform, *swatch.tv*, with sections dedicated to Art, Fashion and Sports. *swatch.tv* intensifies the dialog with members and helps to reach a new audience through various social media platforms, and can be viewed on mobile phones as well.

An attractive lifestyle magazine issued twice a year, *The Voice* expresses the spirit of Swatch. Current English, French, Spanish, Portuguese and Italian editions will be joined by a new edition in Chinese.

**Swiss markets** At the Verbier Xtreme in March Swatch presented Colour Codes and the Chrono Plastic to journalists, with several ProTeam members on hand including Kaj Zackrisson, who was featured in the Colour Codes campaign, and won the Xtreme! In May Swatch presented 80's style vintage Swatch watches at Sneakerness in Zurich. July's Blue Balls festival in Lucerne, with Swatch as Presenting Partner, saw 18 live art battles, powered by Swatch MTV Playground. The first corporate Swatch Shop-in-Shop in Switzerland opened at Globus Zurich.



More live art battles powered by Swatch MTV Playground took place at Swatch presents ArtYou Basel in September, where the Colour Codes and Swatch Art collections were on display. In October Swatch presented the New Gent to journalists, Swatch Club members and VIPs with a powerful fashion show in Bern in the presence of ProTeam members Cody Townsend and Anne-Flore Marxer. December saw the presentation of the high-end Diaphane One to clients and selected media in Geneva, and the opening of the Ice Dunes store in Zermatt marked the start of a significant store renovation initiative in Switzerland.



# INSPIRED



swatchBIJOUX

### **Trends**

In 2010 Swatch Bijoux's performance continued steadily in all markets. The strongest growth came from South America and the Middle East.

The Swatch Bijoux collections development, launch timings and advertising campaigns have been harmonized with those of the watches.

In terms of design, the collections remained inspired by catwalks, joyful colors and the latest trends.

### **Creation**

**Spring Summer 2010** The collection represented all the joy and freshness of these two seasons. Hot Batik, with its fresh green or orange tones cheered up every wrist and neckline. The sparkling crystals from Melted Beauty entered into competition with the rays of light to attract the attention. The shiny colors of the Love Explosion rings & sets, designed to match the successful Colour Codes watches, were a perfect combination with every summer dress.

**Fall Winter 2010** Swatch Bijoux unveiled a beautiful, elegant and sophisticated collection with high fashion designs never seen before in Swatch Bijoux. Black Onyx was introduced as a new material in the Pure Night family, making these bijoux a very special, elegant yet

affordable accessory. Maona, with its rich, dark blue, purple or green tones reached a broader public and the release of the new Crystal Soul pendants in white and black versions with matching earrings brought immediate positive results in sales. The Fall Winter collection was as well supported by an alluring catalog in which the pieces revealed details of their design.

### **Presence**

During the year the worldwide markets organized a vast number of successful public relations events and activities to present the collection highlights. The local markets where Swatch Bijoux is present displayed creativity and fun with these activities, and their approaches to journalists resulted in positive reviews, in particular for the Fall / Winter collection.





# A CONTINUED LEGACY OF STYLE AND INNOVATION



NGH

[www.omegawatches.com](http://www.omegawatches.com)

### Trends

Omega's focus on innovative watchmaking and quality in 2010 resulted in technological breakthroughs and outstanding new products. The brand improved its position in nearly every market and further streamlined its distribution.

Omega's role as Official Timekeeper at the Olympic and Paralympic Winter Games in Vancouver gave it extraordinary visibility as it was exposed to a global television audience estimated at three billion people.

The Co-Axial philosophy which has guided the brand for more than a decade matured in 2010. Omega's Co-Axial caliber 8520/8521 equipped with the groundbreaking silicon balance spring were delivered with four-year warranties thanks to their stability and performance.

2010 saw the launch of the Ladymatic, Omega's mechanical watch created exclusively for women. It combines extraordinary design with one of the best mechanical watch movements in the world.

Omega expanded its global boutique network, adding nine new locations in the United States alone in the last two months of the year. The strategy will be extended in 2011 with plans to open another 20 American stores. The year's openings, which included boutiques in other major markets, brought the total to over 70 worldwide.



Nicolas G. Hayek and George Daniels admiring a watchmaker at work.

**"A brand can convey much more than a single message. Omega, for example, is the watch of intellectuals, athletes, and in addition it is a time-measuring instrument of the highest precision. These are messages."**

## Creation

**Ladymatic** In 2010, Omega launched the Ladymatic, a mechanical watch created exclusively for women. It combines stunning design with a superb mechanical movement. Equipped with the Co-Axial calibre 8520/8521 and a silicon balance spring, it is guaranteed for four years.

**Constellation Ladies 35 mm** The re-designed Constellation line was extended with new 35 mm ladies' models. One blends the elegance of 18 Ct red gold with the dark brown tones of a finely lacquered dial. Another combines 18 Ct red gold case and a white alligator leather strap. One dramatic offering features a shaded gray dial and a diamond-paved bezel.

**Seamaster Aqua Terra XXL Small Seconds Orange Gold** The Omega Seamaster Aqua Terra XXL Small Seconds Orange Gold is a watch worthy of its name: it has a bold 49.2 mm case crafted from unique 18 Ct orange gold. It was created in a limited edition of 111 pieces.



**Seamaster Ploprof 1200M in white** The white version of the Seamaster Ploprof 1200M has the features professional divers expect from the brand: a bi-directional locking bezel, an automatic helium escape valve and water resistance to 120 bar/1200 meters/4000 feet. It is an elegant but seaworthy expression of Omega's pioneering spirit.

**Speedmaster Professional Apollo-Soyuz "35th Anniversary" chronograph** The Omega Speedmaster Professional Apollo-Soyuz "35th Anniversary" chronograph commemorates a historic handshake in space in July of 1975. Its dial was created from a meteorite which survived entry into our atmosphere and its high-speed impact with Earth.

**Speedmaster Professional Moonphase** The Omega Speedmaster Professional Moonphase features the full chronograph function for which the line is famous but also elegantly traces the phases of our nearest celestial neighbor.

**Speedmaster Broad Arrow Co-Axial** The new Speedmaster Broad Arrow Co-Axial introduces some stylish touches to the world's most famous chronograph. The dial features a distinctive "Geneva Waves" pattern. The chronograph counters are highlighted by applied rings which surround unique beehive structures, giving the timepiece its own personality.

**Speedmaster Ladies' Chronograph Chronometer 38 mm** Omega extended the classic Speedmaster line with a selection of watches designed for women. They combine the robust sportiness and chronograph performance which have long characterized the family with some touches of elegance not normally associated with the rugged Speedmasters.

"The Olympic Games reflect the message of Omega: speed, precision, endurance and performance. The brand has contributed an enormous amount to the development of timekeeping over more than a century. The transition from stopwatches to electronic timing, the photofinish camera and automatic touch pads for swimmers are only a few examples. Timekeeping is an incredibly dynamic message for the Swiss watch industry. So incredible, you cannot imagine."

**"With the Olympic Movement,  
we don't have a commercial commitment.  
We have an emotional one."**



Nick Hayek, Jacques Rogge and Nicolas G. Hayek at the press conference in 2009 during which the extension of the partnership between Omega and the IOC was announced.

**De Ville Co-Axial** The new De Ville Co-Axial is equipped with cutting-edge technology in a classic men's wristwatch. The 41 mm case body is available in 18 Ct red gold or stainless steel presented either on an integrated bracelet in the metal corresponding to the case or with a black or brown alligator leather strap. The collection elegantly represents Omega's long-standing commitment to innovative watchmaking.



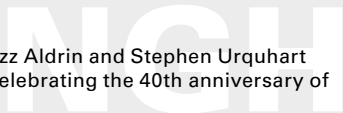
"Omega is a brand known for its innovation. When the Americans were looking for a watch for their first flight to the moon, they went to all the watch shops in Houston and tested the top products on the market. The most accurate watch was made by Omega, which is why NASA ordered Omega watches for the lunar expedition."



Sir Francis Blake and Nicolas G. Hayek in his office in Biel.



Nicolas G. Hayek, Buzz Aldrin and Stephen Urquhart at Baselworld 2009 celebrating the 40th anniversary of the moon landing.



## Presence

Omega's media presence started dramatically at the Olympic Winter Games in Vancouver in February. For the rest of the year, its profile was maintained with boutique openings, product launches and key events. These activities were supported by creative advertising, a dynamic web presence and proactive public relations in every market.

Some of Omega's 2010 event highlights were:

**Boutique openings** Omega opened boutiques at the Swatch Art Peace Hotel in Shanghai, on Via Condotti in Rome and at nine prime retail locations in the United States as well as at other prestigious addresses around the world.

**Ladymatic Global Launch** The much anticipated Ladymatic, Omega's mechanical watch designed exclusively for women, was launched at an international press conference in Beijing. Nicole Kidman joined Omega for the event.

**Omega and golf** Omega continued its title sponsorship of the European Masters golf tournament as well as those of the Dubai Ladies Masters and the Dubai Desert Classic.

**Solar Impulse** In July, the Solar Impulse prototype flew all night powered by energy collected in its solar cells the day before. Omega contributed an innovative device to assist the pilot during approach and landing and a powerful lightweight landing light system.

**Museum reopening** The Omega Museum reopened in May following extensive renovation. Located opposite Omega's headquarters in Biel, it is the oldest museum dedicated to a single watch brand.

**Sports timing** In July, Omega served as Official Timekeeper for the European Athletic Championships in Barcelona, a role it also assumed at the 14 IAAF Diamond League meets at cities around the world. In August, Omega was Official Timekeeper at the Youth Olympic Games in Singapore.



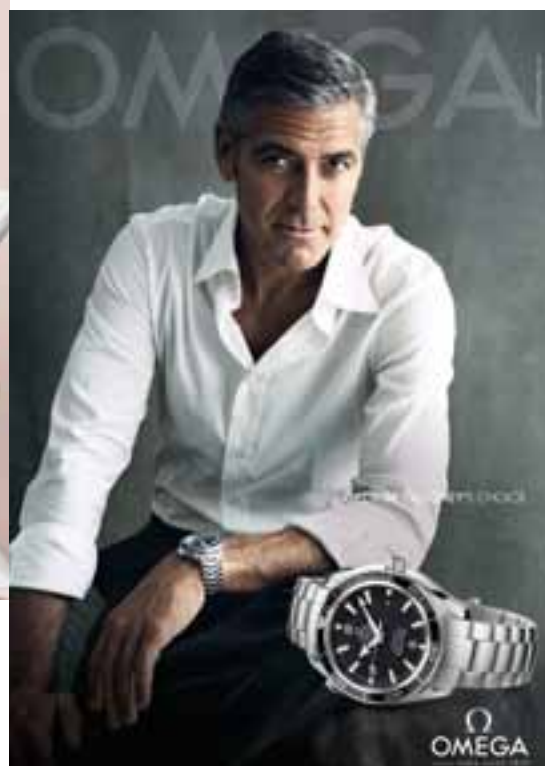
**Omega, Nicole and Keith support UNIFEM in Hong Kong** In May, Nicole Kidman helped open a new boutique on Queen’s Road Central in Hong Kong. Her husband, country music star Keith Urban, performed at Omega’s private concert event in support of the United Nations Development Fund for Women (UNIFEM).

**Communication** Global advertising campaigns, a glossy lifestyle magazine and a strong web presence continued to figure prominently in Omega’s communications strategy. Short films on Omega’s innovative technologies were produced for boutiques and social networking sites.

**Advertising** Omega created print and online campaigns and a series of television commercials for the Vancouver 2010 Olympic Winter Games. Print, television and online campaigns supported the launch of the Ladymatic. Oscar-winning actress and brand ambassador Nicole Kidman is featured in the advertisements. After an absence of more than a century, golf will be included in the Rio 2016 Olympic Games. Omega’s TV spot welcoming the sport back underscores its involvement with golf and the Olympics.

**Lifetime magazine** The circulation of *Lifetime*, Omega’s lifestyle magazine, increased to nearly 200 000. In 2010, an iPad version with interactive features was introduced for an enhanced reading experience.

**Omega online** omegawatches.com, the official website, was completely redesigned in time for the Olympic Winter Games. Korean, Italian and Spanish versions were online at the end of the year. In 2010, Omega also launched an iPhone application and a site designed for mobile phone browsers.





## The Vancouver 2010 Olympic and Paralympic Games

**Flawless timekeeping in British Columbia** On the 12th of February, the world celebrated the start of the Vancouver 2010 Olympic Winter Games where, for the 24th time, Omega served as Official Timekeeper on the world's most prestigious sporting stage. The cosmopolitan city of Vancouver and the rugged beauty of British Columbia provided a perfect backdrop for world-class winter sport competition.

The Omega Countdown Clock in downtown Vancouver attracted thousands of visitors daily as billions of viewers around the world watched the Games on television. Omega's most conspicuous presence was at the venues where, once again, its timekeepers were responsible for recording and displaying the results of every event.

**Olympic guests** The Omega Lounge welcomed guests and hosted events throughout the Games. IOC President Jacques Rogge was there, as were ambassadors Cindy Crawford and Michael Phelps. Omega's pioneering spirit was celebrated by astronauts Buzz Aldrin and Eugene Cernan and Solar Impulse pilots Bertrand Piccard and André Borschberg.

Olympic gold medalists visited the Omega Lounge and received Seamasters to honor their performances. Some of the champions included Swiss ski jumper Simon Ammann and Alex Bilodeau, the first Canadian ever to win an Olympic gold on home soil. Skier Lauren Woolstencroft, who won a record five consecutive gold medals at a single Paralympic Games, visited the Vancouver boutique and was presented a watch.

**Advertising and promotion** Omega's global Olympic campaign included print advertisements and television commercials, digital marketing and prominent displays in boutiques and retailers. The Omega name and logo that were part of every onscreen result contributed to the exposure that makes the Olympic Games one of the brand's most valuable properties.

**Timekeepers and data handlers** Omega sent 220 professional technicians and engineers who, assisted by 290 volunteers, were responsible for 250 tons of equipment. In March, Omega's team shifted its energies to one of the most-watched Paralympic Winter Games in history.

**New technology** The most talked-about device in Vancouver was the Electronic Start System, a streamlined, futuristic unit consisting of a bright red flash gun and a sound generation box which replaced the familiar start pistol.

Alpine skiers started their runs through the new "Snowgate" starting gate which ensured that the starting pulse was generated when the bar was at precisely the same angle for every competitor.

Cross-country skiing made use of the Universal Tracking System based on Global Positioning System (GPS) technology to track the locations of the athletes throughout the race. Transponders were used for men's and ladies' snowboard cross to allow intermediate standings to be displayed while races were taking place.

**Omega's Olympic legacy** What began with 30 chronograph stopwatches used to time every event at the Los Angeles 1932 Olympic Games has become one of the most enduring partnerships in sports timekeeping. While no one ever knows which countries' athletes will be standing on the medal podiums, one thing is certain: their performances will be timed by Omega.





### **Fine Jewellery**

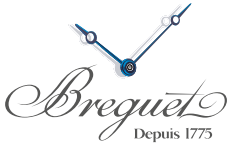
For Omega Fine Jewellery, 2010 was a year of transition. With the global launch of Ladymatic, Omega proclaimed its dedication to products designed exclusively for women. The Fine Jewellery creative team was challenged to reposition its collection as an essential companion to the watches, created to meet the needs of the market and to convey and define Omega's lifestyle qualities.

An overhaul of the conceptual strategy was followed by a complete reassessment of the product palette with focus on appealing designs and innovative materials and on lines and collections that offer the possibility of extension and evolution. The new products, supported by a brand-new marketing strategy, will be introduced at Baselworld and the first results should be apparent in the second half of 2011.

### **Omega's Fine Leather and Fragrance**

Omega's Fine Leather Collection and the brand's first fragrance, Aqua Terra Eau de Toilette pour Homme, were distributed exclusively through international flagship boutiques. In 2010 the new products in the leather collection continued to exhibit the standards of craftsmanship, design and superior materials which have characterized Omega's leather goods since they were launched in 2007.





# BREGUET, FROM RENAISSANCE TO CONTINUITY

## Tribute

In 1999, Swatch Group, under the leadership of Nicolas G. Hayek, took over one of watchmaking's greatest brands which, at the time, was lying somewhat dormant. Driven by true passion, he infused unmatched vitality into a brand whose exceptional heritage and know-how are lauded by its most prestigious peers. This creative and



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www.breguet.com

## Trends

2010 for Breguet was marked by the tragic loss of its esteemed President and CEO, Nicolas G. Hayek, who had personally guided the brand for ten years. Marc A. Hayek has taken the reins of the brand and is pursuing the path marked out by his grandfather.

This year also saw the distinct recovery for the watch industry severely hit by the 2009 financial and economic crisis, and Breguet, thanks to the decision taken by Nicolas G. Hayek and Swatch Group's management to maintain jobs and anticipate the recovery, achieved even better results than in 2008.

Determined to continue improving its distribution network, the brand opened six new boutiques: the Shanghai Swatch Art Peace Hotel, Singapore, Dubai, Bahnhofstrasse in Zurich, New York's Fifth Avenue, and Shenzhen.

The year's advertising campaign highlighted the many technical assets of Breguet's products.

## Creation

2010 was punctuated by a succession of highly technical product launches including two world firsts: the first and only series-made mechanical chronograph with a frequency of 10 Hertz, meaning 72 000 vibrations per hour; and the Breguet silicon balance-spring. The long list of creations once again displayed Breguet's extraordinary ability to innovate and to industrialize new products, while faithfully safeguarding its time-honored hand-crafted expertise.



visionary genius also revived the cultural and emotional dimension of the brand and restored it to its noble pedigree. A new chapter in Breguet history began, studded with fabulous projects, daring challenges and guided by a determination to unveil the finest treasures emerging from an unparalleled blend of art, beauty and technology.

Signs of Breguet's revival soon appeared. First, it was equipped with a manufacturing facility on a par with its ambitions. Substantial and regular investments were made in state-of-the-art testing machinery as well as in research and development. Nicolas G. Hayek attached great importance to research and initiated work on the application of new materials such as silicon in watchmaking for key components. Under his leadership, Breguet developed and registered more than 77 new patents and also built a new movement each year, some of which, including the double tourbillon, were truly revolutionary. These innovations meant that Breguet was not only an integral part of Europe's cultural heritage but was a reference in the field of haute horlogerie.

This unique position inspired the most prestigious museums to welcome the brand's legendary timepieces. The exhibitions in the

Hermitage in St. Petersburg and in the Louvre in Paris are just two of the exceptional events that delighted connoisseurs and aficionados as much as they did Nicolas G. Hayek, for whom culture was meant to be shared. The same passion led Manufacture Breguet to take up splendid challenges, including that of reproducing the legendary Marie-Antoinette watch that had vanished without a trace. This love of art and beauty guided Nicolas G. Hayek's determination to preserve humanity's historical and cultural heritage well beyond the watch-making world through a range of prestigious patronage activities, often with a powerful emotional content. One of the most iconic is the restoration of the Petit Trianon in Versailles, an authentic tribute paid by Breguet to Queen Marie-Antoinette, a sincere admirer and loyal customer of the brand.

It was this universe mingling art, culture, understatement and exceptional achievement that Nicolas G. Hayek loved to share. Following his passing on June 28th 2010, Marc A. Hayek assumed leadership of the brand. The spirit remains and the story continues. *Montres Breguet S.A.*

**Type XXII 3880** This is the first and only series-made mechanical chronograph with a high frequency of 10 Hertz, meaning 72 000 vibrations per hour, and thus able to mark twentieths of a second. This technical feat is made possible by the use of silicon, which serves to lighten the weight of the escapement components and avoids the potential lubrication issues related to this extremely high frequency. The Type XXII is also equipped with a flyback function.

**Tradition 7047 Tourbillon Fusée with silicon Breguet balance-spring** In 2006, Breguet presented the first watches with a flat balance-spring and a silicon escapement. The brand then naturally went on to develop a balance-spring in silicon with the famous raised end curve known as the “Breguet overcoil”. This was no easy matter in that silicon, although boasting numerous advantages – the element is anti-magnetic, friction-resistant and far lighter than metal and thus less distorted by gravity – is less malleable than metal. Creating a curve that lends a third dimension to this silicon component was, therefore, a truly impressive feat. This watch with its pure, beautiful lines was a great popular success and notably won first prize in the Grand Prix du Public category at The Watches Days in Geneva.

**Réveil Musical 7800** The Réveil Musical houses an amazing patented musical mechanism based on the music-box principle. The watch plays its crystal-clear tune either when a dedicated pushpiece positioned at 10 o'clock is pressed, or at any given time pre-set with the alarm function. A disc with pins replaces the traditional music-box cylinder and interacts with the 15 metal teeth of the comb. Sophisticated research in the field of acoustics helped determine the choice of materials for the comb and the membrane, the fundamental factors in ensuring optimal sound quality. The back of the gold case protecting the membrane is drilled with several openings designed to ensure optimal sound transmission. The dial, which is connected to the



### Nicolas G. Hayek recalls the Swatch Group's purchase of the Breguet brand

“No one at the time wanted to touch Breguet: it was a brand that had fallen into complete oblivion. Only a few rare master-watchmakers still knew what Breguet had formerly represented. But otherwise no one – including me – had the least idea of the extraordinary history concealed behind this brand. It was truly a sleeping beauty. After particularly tough negotiations involving a great deal of diplomacy, we nonetheless managed to reach a compromise: despite the unfavorable opinions expressed by some of my personnel, I virtually bought Breguet by phone and without any significant opposition. At the time, I was participating in a two-day meeting in Lausanne of the 2000 Olympic Committee of which I was a member. I insisted that the contracts should be sent to me immediately. But then there was a hitch that put me in a dreadful state of anxiety. Instead of sending the contracts to Switzerland to be signed, the London bankers of Investcorp (which owned Breguet at the time) sent them by mistake from London to

Sweden! You simply cannot imagine what a mix-up that was. I was very alarmed; it was like something out of a crime novel and for two or three days I trembled at the thought of what might happen. When the contracts finally arrived, I immediately signed them with Investcorp and it was a great relief. But then two members of my Senior Management team pointed out that the acquisition should have first been approved by the Board of Directors. I had in fact been fully aware of that, but in the preceding period of turmoil, there would simply not have been time to also convene a session of the Board of Directors. So I answered: *If the Board of Directors doesn't agree to it, it will be a matter of me acquiring Breguet within the context of the Hayek Group.* This had however never been done up until then and did not prove necessary in this particular case either. After I explained what I intended to do with the Breguet brand, our Board of Directors unanimously congratulated me by saying *Well done, it's a great purchase!*”  
*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*

pin-bearing disc, performs a complete turn while the tune is being played. This masterpiece is delivered in a presentation box made from resonant spruce wood from the Vallée de Joux, which considerably amplifies the tune.

#### **Reine de Naples 8978, Sonnerie au Passage**

The Sonnerie au Passage watch is the first Grande Complication model to be introduced in the Reine de Naples collection. It serves to sound the hours automatically every hour on the hour with two strikes, repeated three times. The function can be activated with a pushpiece at 2 o'clock. This new movement was designed especially for women and elegantly combines the technical sophistication of automatic strike with the subtle beauty of a hand-engraved and decorated movement shaped like a dove in full flight. The white mother-of-pearl dial is framed by a bezel set with 30 diamonds. The striking hammers, separated by a diamond signaling the start of the strike, are visible on the dial between 11 and 1 o'clock.

#### **Reine de Naples Steel**

The soft oval shape of the Reine de Naples watch, its crown at 4 o'clock and its specific bracelet lug are some of the unique characteristics that make it an exquisitely feminine and original watch. It is presented here in a steel version that is slightly larger with a subtly curved case. For a timepiece that has so far existed only in diamond-set gold, this is a means of bringing it closer to the daily lives of women who can wear it in all circumstances. Its mother-of-pearl dial is graced with two raised painted Arabic numerals. Crafted in harmony with the finest watchmaking traditions, its solid gold oscillating weight is hand-engraved on a rose engine.

#### **Tradition 7057**

The Tradition line, symbolizing both a return to roots and the brand's forward-looking vision, is enriched with a 7057 model in 40 mm white gold. The original aesthetic of this watch reveals the hand-wound movement on either side of the central plate. The silvered gold dial hand-engraved on a rose engine is open at 10 o'clock to reveal the bridge of the 50-hour power reserve.

**Marine Royale 5847** After meeting with great success last year, the Marine Royale is introduced this year with a silvered gold dial in a white or pink gold version secured by a gold bracelet with a sporty design. The distinctive nature of this model lies in its alarm that operates in an entirely water-resistant manner under water and at pressures of up to 30 bar (300 meters).

**Gem-set Classique 5178** Building on the success of the Classique 5177 with date display, *grand feu* enameled dial, and silicon lever and escape-wheel, it is now introduced in a white, pink or yellow gold version featuring a bezel set with 83 diamonds.

**Les Exclusifs de Breguet** presents two models exclusively reserved for the brand's boutiques: the famous **Réveil du Tsar 5707** in pink gold with an enamel dial, and a magnificent **minute repeater 7637** with sapphire dial unveiling the usually hidden face of the movement with its hand-engraved bridges.

**Type XX 3803 limited series** To celebrate the 100th anniversary of the Aéronavale, the French naval air arm, Breguet issued a Type XX watch in a numbered limited edition of 1000. This model features some unprecedented characteristics for a Type XX, such as a slightly larger black lacquered rotating bezel with raised numerals. The back carries a special marking portraying the official Aéronavale centenary.



**“A Breguet is a symbol of good taste.  
It is not merely a watch, it's a work of art,  
the height of refinement.”**

NGH



## Presence

From June 1st to August 31st 2010, Breguet and the **Topkapi Palace Museum** in Istanbul presented a prestigious collection of historical watches specially made for Turkey. 300 000 visitors came to admire these watches featuring a richly enameled style and bright colors that distinguish them from Breguet's traditional neo-classical aesthetic. The exhibition presented 19th century pieces from the collections of the Topkapi Palace and Breguet Museums.

On October 2nd 2008, the **Petit Trianon** château was opened to the public following major restoration work made possible by the support of Breguet. The final phase completed in 2010 restored the site to its full beauty. The work included cleaning the south façade, restoring the sentry boxes framing the gate of the entrance court, consolidating the forecourt walls and mending the cobble-stoned or paved areas. Through this exceptional endeavor, one of the most substantial undertaken in France in recent years, Montres Breguet perpetuated its ancient ties with Versailles and expressed its deep-felt attachment to European culture and history.

The French Fleet Air Arm, generally referred to as the **Aéronavale**, celebrated its hundredth anniversary in 2010. To commemorate this auspicious occasion, it wanted to involve one of its prestigious partners and historical suppliers and naturally turned to Breguet. Ever since its founder was appointed Horologer to the French Royal Navy in 1815, Breguet has cultivated close ties with the Navy, supplying it with high-precision timekeepers for nearly two centuries.

Through its patronage of the **French National Navy Museum**, Breguet provided an enduring form of support by enabling it to create a 90 square-meter space dedicated exclusively to naval aviation. Visitors can discover the importance of the Navy's airborne wing through scale models of aircraft carriers, planes, precision instruments and other artefacts from its history, from its beginnings to today's ultra-modern aircraft carriers. This "Aéronavale" room was inaugurated in October.

The brand also supports the musical world and has been associated for several years with famous musical events such as the **Geneva International Music Competition**, the **Luzern Festival im Sommer**, and for the first time in 2010, with the **Accademia Nazionale di Santa Cecilia** in Rome for the opening concert of the 2010–2011 season: *William Tell*, the last opera composed by its illustrious client, Rossini. At the events in Lucerne and Rome, the brand's clients and journalists were introduced to several striking models including the new Réveil Musical, the Reine de Naples Sonnerie au Passage and some minute repeaters. Russian customers were treated to a presentation of these creations at an exclusive gala evening held in the famous Pushkin Museum in Moscow in October.





### **Breguet Haute Joaillerie**

Breguet Haute Joaillerie introduced a fresh surprise with another daring design. In 2010, Breguet presented Crazy Flower, an exceptional watch that marries the pure and timeless beauty of diamonds with the technical accomplishment of mobile gem-setting.

Housing a self-winding mechanical movement, its case is adorned with 116 baguette-cut diamonds that are set in such a way as to enable three or four asymmetrical rows to swing gently between the middle of the case and the bezel. The dial is composed of 206 brilliant-cut diamonds “inverse-set” on a concave face rimmed by a flange set with 66 more brilliant-cut diamonds. The hands are specially rounded to match the curve of the dial, and the chapter ring is set with 20 baguette-cut diamonds. A total of more than 36 carats of diamonds combine in a spectacular gem-setting accomplishment from the talented craftsmen of the Breguet Haute Joaillerie workshop. This splendid work of art is accompanied by a Crazy Flower jewelry set made up of a ring echoing the floral motif, as well as a pendant and earrings that are also graced with a mobile gem-setting.

At the annual *Robb Report* prize-giving ceremony held in Shanghai on September 26th, the Best of the Best Award in the jewelry watch category was won by the Crazy Flower watch.

The Petit Trianon fine jewelry collection put the finishing touch to the range of new jewelry models launched in 2010. Its delightfully simple reinterpretation of the restrained yet royal theme of the Petit Trianon pays tribute to the restoration, funded by Breguet, of this historical monument on the grounds of the Château de Versailles. This new line of fine jewelry comprises a ring, earrings, a chain bracelet and a pendant, all composed of a bow-shaped ornament set with a princess-cut diamond and thus tenderly evoking Marie-Antoinette’s deep-felt attachment to the Petit Trianon.



**JB**  
1735  
**BLANCPAIN**  
MANUFACTURE DE HAUTE HORLOGERIE



www.blancpain.com

### Trends

In 2010, the year of its 275th anniversary, Blancpain experienced the best year in its history, surpassing the record results achieved in 2008. This excellent performance was due to several factors:

- exceptional growth in virtually all markets;
- the success of the reinterpretation of the Villeret Collection launched at Baselworld and warmly received by customers;

– the enduring Fifty Fathoms Collection which year after year confirms its status as the benchmark divers' watch;

– the consolidation of the new L-evolution Collection which has already reached cruising speed just two years after its launch.

Worldwide, Asia continued to record the highest sales level, with China and Hong Kong asserting themselves as the top markets for Blancpain which is reinforcing its

# A RECORD 275TH ANNIVERSARY YEAR

**“Since time immemorial, we have been creating and selling beauty. And the ultimate achievement in the watch industry is when you can say: I made it myself.”**



Nicolas G. Hayek and Marc A. Hayek during the inauguration of the renovated Blancpain Manufacture, dubbed *La Ferme* (The Farm), in Le Brassus in 2005.

NGH

dominant position in the field of prestige watchmaking in these two countries. The incredible renown the brand enjoys in this region also exercises a positive influence on many other markets visited by Chinese tourists.

In 2010, the Manufacture in Le Brassus also pursued its policy of opening own-name boutiques, thereby consolidating its presence on the world's major shopping miles. Blancpain is now a must-see name on the Place Vendôme in Paris; the Bund in Shanghai where the brand is present in the Swatch Art Peace Hotel; in Taipei; in Singapore's Marina Bay complex; and in Ekaterinburg, Russia.

### Creation

A large number of new products and new movements were introduced in 2010 in a firework burst of creativity that saluted Blancpain's 275th anniversary in fitting style. This creative vein is an ongoing phenomenon, as recent years have witnessed the launch of several exceptional movements and watches that have all enriched the existing collections.

**New calibers** The Research & Development teams of the Manufacture Blancpain displayed a remarkable spirit of innovation that gave rise to five new movements presented in 2010.

**Caliber 6639:** automatic winding, 8-day power reserve, titanium balance with gold adjustment screws, secure moon phases mechanism.

**Caliber 66BF8:** automatic winding, chronograph function, 40-hour power reserve, secure moon phases mechanism.

**Caliber 37R8G:** automatic winding, 8-day power reserve, *semainier* (week of the year) / day, large date.

**Caliber 233:** manual winding, minute repeater, cathedral gong, *carrousel volant une minute* (flying one-minute karussell), 414 parts.

**Caliber 22T:** manual winding, *carrousel volant une minute* (flying one-minute karussell) entirely made from transparent sapphire crystal, 120-hour power reserve.

**Le Brassus Collection** The *Carrousel Répétition Minutes Le Brassus* represents the peak model in the new launches presented by Blancpain this year. For the first time in watchmaking history, this grand complication watch combines a one-minute flying karussell and a minute repeater equipped with a cathedral gong emitting an exceptionally pure chime. This unique horological masterpiece is clothed in a 45 mm red gold case framing a satin-brushed white gold chapter ring bearing applied red gold Roman numerals. The association of an open-worked dial and the sapphire crystal caseback ensures a clear view from both sides of the complex minute repeater mechanism and the delicately hand-engraved bridges.

**Villeret Collection** In 2010, Blancpain presented a reinterpretation of the Villeret Collection featuring nine new creations including a pocket watch and a complete calendar and moon phases model, the star model of the Villeret line powered by self-winding Caliber 6639. Equipped with three barrels and a variable-inertia balance, this timepiece is endowed with an 8-day power reserve and enables its owner to modify each indication at any time without any risk of damaging the mechanism thanks to the Blancpain's patented under-lug correctors. Available in platinum and red gold, this model featuring a *grand feu* enamel dial is also fitted with a blued steel serpentine hand pointing to the date display.

**Fifty Fathoms Collection** Blancpain sports watches are rooted in the Fifty Fathoms Collection, which in 2010 welcomed a model incorporating a complete calendar and moon phases complication along with the flyback chronograph function. This newcomer to the Fifty Fathoms line is equipped with a complex 448-part movement



"For the successful positioning of any work of art, including any watch, there are three criteria. First, the price, which must be in line with the product quality. Second, the message, which every brand must convey. And third, the management team."

*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*



NGH

enabling the wearer to modify each indication as wished at any time of the day or night, via the under-lug correctors. The 45 mm-diameter stainless steel case is fitted with a unidirectional blue sapphire bezel and a matching dial. Blancpain also took the opportunity of its 275th anniversary to pay homage to this legendary collection with the Tribute to Fifty Fathoms model combining the timeless design of vintage pieces with Blancpain's latest technical innovations.

**L-evolution Collection** The L-evolution Collection was enriched with two new complications: the Semainier (week of the year) and the Carrousel (karussell). Driven by a self-winding movement, the L-evolution Semainier is equipped with three barrels and a variable-inertia titanium balance. It is available in stainless steel and red gold versions indicating the week of the year, the date in a





generously sized aperture and the day of the week, along with an extraordinary eight-day power reserve. Fitted with a main plate and caseband entirely made from transparent sapphire, the L-evolution Carrousel reveals the complex workings of its movement in all their intricate splendor: the 209-part Carrousel Volant Une Minute caliber, pared down to essentials, is thus exalted by a subtle interplay of transparent effects.

### Presence

The year 2010 was punctuated by a number of events that enabled Blancpain to strengthen its presence in motorsports and the maritime world, as well as the art of living.

**Blancpain and motorsports** Blancpain pursued its cooperation with Lamborghini in 2010 through the second season of the Lamborghini Blancpain Super Trofeo championship. The six European grand prix races enabled the brand to affirm its presence on the continent's finest racing tracks. Its privileged ties with the Italian automobile maker also led to the launch of the Lamborghini Gallardo LP 570-4 Blancpain Edition, a limited series clad in the livery of the Manufacture from Le Brassus and representing a first in the field of cooperation between the automotive and watchmaking worlds. In 2010, Blancpain also became official timekeeper of the first ever FIA GT1 world championship, as well as sponsor of the Team Reiter Engineering, one of the teams taking part in this competition. These various partnerships make Blancpain a well-known and acknowledged player in the field of international motorsports.

**Blancpain and the aquatic world** Blancpain also experienced a year 2010 brimming with nautical events. For the sixth consecutive year, the brand was present as a partner of the Cannes International Boat Show, where it officially launched sales of its first Fifty Fathoms Chronographe Flyback Quantième Complet Phases de Lune model. In October, Italian diver Gianluca Genoni improved the world free-diving record by descending to a depth of 152 meters wearing his Blancpain 500 Fathoms. The Manufacture from Le Brassus also celebrated its 275th anniversary through a unique retrospective dedicated to the history of the first modern divers' watch, the Fifty Fathoms. Inaugurated in the new Blancpain Boutique on the Place Vendôme in Paris, this exhibition of more than 100 historical watches then set off to China.

**Blancpain and the art of living** Blancpain and the world of gastronomy and luxury hotel-keeping pursued their shared quest for excellence and perfection in 2010. The Manufacture in Le Brassus renewed its partnerships with The Leading Hotels of the World, Relais & Châteaux and Les Grandes Tables de Suisse. In September, the brand



was also associated with the SWISS Taste of Switzerland promotional campaign. For three months, Blancpain was present aboard the planes of the national airline through a program enabling travelers to discover exceptional gourmet and watchmaking products from Canton Vaud, Switzerland.

**Integration of Frédéric Piguet** The year 2010 was a major milestone in the history of Blancpain and of Frédéric Piguet. After many years of fruitful cooperation in creating high-end watch movements, the two companies set the seal on their *rapprochement* by creating a single unit. Blancpain is thereby reinforcing its status as a full-fledged watch Manufacture by incorporating Frédéric Piguet's unique know-how in the field of watch movement making.

While the name Frédéric Piguet may be disappearing as such from the Swiss watchmaking scene, its expertise in production of calibers, nurtured by almost 160 years of existence in the Vallée de Joux, along with its spirit of innovation, remain vibrantly alive within the new structure and will enable Blancpain to pursue its innovation in an efficient manner. This integration has not led to any drastic restructuring, but is a sign of continuity and of the intensification of the relations between the two entities that began in the mid-1980s.

In this respect, the integration has already led to certain readjustments in terms of production. The former Frédéric Piguet site in Le Sentier, renamed Manufacture Blancpain, now houses the T2 casing and testing activities,

whereas the Complications Frédéric Piguet workshops has been transferred to the Le Brassus site, which now accommodates the assembly and casing up of all the brand's grand complication movements. Other projects involving optimization of production flows will doubtless be undertaken in 2011.

By way of reminder, the Frédéric Piguet company was founded in 1858 by Louis Elisée Piguet, one of the most famous late 19th century watchmakers. Specializing in the production of complicated pocket-watch calibers, the company developed in 1891 into a modern watchmaking factory located in the Le Rocher district of Le Brassus. With the emergence of wristwatches for which the company made its first movements in the early 20th century, it became a benchmark in Switzerland in the production of small-sized calibers. Despite certain difficult periods between the two world wars and during the 1970s watch crisis, Frédéric Piguet enjoyed spectacular development from the early 1980s onwards. Since then, the company expanded its facilities in the Vallée de Joux, its collections were enlarged and its workforce grew steadily. Frédéric Piguet joined the Swatch Group in 1992, a move that enabled it to pursue its development and to unite all its teams on its main site in Le Sentier in 2007, following the construction of an extension to the existing buildings.

*Glashütte*  
ORIGINAL



# 165 YEARS OF GERMAN WATCHMAKING

## Trends

2010 saw a number of positive developments for Glashütte Original. The brand has gone from strength to strength in its home market, Germany, where a return to strong economic growth has translated into solid performance. Other European countries have performed refreshingly well, and China and Hong Kong have even improved on the spectacular trends of the last couple of years. The clear strategy of upgrading the retail presence at prestige locations gave birth to the first European mono-brand boutique in Paris in the rue du Faubourg Saint-Honoré. With a warm and welcoming atmosphere marrying the heritage and history of the brand with its more technological facets, the boutique has rapidly become a popular location for tourists and Parisian watch enthusiasts alike.

## Creation

**Senator Diary** Baselworld 2010 saw the unveiling of the aptly named Senator Diary, the first mechanical watch that allows its user to set the alarm over a period of 30 days. This technical feat was “dressed” in a subtly elegant and understated exterior.

**PanoMaticCounter XL** 584 individual parts work in harmony to create a movement which includes a new and interesting counter complication. It allows the user to count items or events all the way up to 99 (or all the way down to zero). The PanoMaticCounter XL is a typical example of Glashütte Original’s “Art & Technik”, the union of traditional watchmaking skills, modern engineering and design perfection.



[www.glashuette-original.com](http://www.glashuette-original.com)

**PanoMaticLunar XL** Subtle elegance and class. The off-center dial design and the exclusive Glashütte Original panorama date display grace this timeless classic, sure to take its rightful place in the tradition of quintessential German watchmaking.

**Marine Chronometer Set – Limited Edition**

The town of Glashütte has been the center of German watchmaking excellence for 165 years. Its marine chronometers were particularly prized, and production continued into the 1970s, ceasing only with the arrival of quartz movements. These very precise mechanical wonders were delivered and installed internationally on ships, enabling the precise calculation of longitude. A strictly limited edition of 13 pieces, combining a fully restored and working marine chronometer with a platinum edition of the award-winning Senator Chronometer wristwatch, was presented to the press at the Maritime Museum in Dresden in October.

**Presence**

Continuing its tradition of supporting German cultural initiatives, Glashütte Original announced in November the signing of a three-year partnership with the International Film Festival of Berlin, the famous “Berlinale”. The Berlinale is one of the world’s most successful and vibrant

film festivals, and is considered to be Germany’s most prominent and renowned cultural event. What better way to promote internationally the values of excellence and craftsmanship typical of Glashütte Original?

In May, the Glashütte Original Music Festival Prize – this year in its 7th edition – was presented to Russian star conductor and maestro Valery Gergiev during an emotional concert and award ceremony at the Dresden Music Festival.

A bit further away from home, but with a strong link to Germany nonetheless, a precise observation clock from the astronomic observatory of Qingdao, China, a former German colony, was brought back to life by Glashütte Original’s restoration workshop. Months of painstaking restoration work culminated in a moving handover ceremony in Shanghai, at Bund 18 in front of the Tourbillon Boutique. The clock was then returned to its rightful place, the observatory in Qingdao.

The German Watch Museum Glashütte, opened in 2008, welcomed its 100 000th visitor on October 4th. Testimony to the vision of Nicolas G. Hayek, the foundation, which was named after him and the museum, was established to preserve the cultural heritage of the town of Glashütte and to foster the unique expertise and skills of the Glashütte watchmakers. The exhibition “At the Heart of Time” – realized in collaboration with Nivarox-FAR and dedicated to the history and development of the balance spring – drew a large number of interested visitors and was therefore extended well into 2011.



**“The Manufacture Glashütte has a great future ahead of it, and many beautiful watches will be created here.”**

Nicolas G. Hayek in Glashütte in 2003 for the purchase of Glashütte Original by Swatch Group.

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J\*  
D  
JAQUET DROZ



**"I prefer infinity to eternity. Infinity does exist,  
but eternity doesn't."**

*Remark made to one of his staff  
when speaking of one of the  
emblematic symbols of the brand.*

NGH



The eight and the infinity symbol ( $\infty$ ), two powerful symbols  
of the Jaquet Droz brand.

www.jaquet-droz.com

# A YEAR OF SUSTAINED MOMENTUM

## Trends

In 2010, Jaquet Droz went a step further in its exemplary trajectory with the relocation in June to the Atelier de Haute Horlogerie, an architectural showcase in the mountains of canton Neuchâtel, which embodies all the brand's aesthetic values. This 2500 m<sup>2</sup> site provides the perfect setting to meet the growing market demand and is a potent symbol of the development ambitions of its new CEO, Marc A. Hayek whose goals are in line with those of Nicolas G. Hayek, who presided over Jaquet Droz until his passing in June.

Jaquet Droz also revitalized its marketing tools, notably with the development of a new website and the much talked about launch of an advertising campaign

promoting towns dear to the heart of its founder, Pierre Jaquet Droz. These enable the brand to improve its visibility in its markets and reinforce the perfect coherence that links its history, products and collections.

This year, Jaquet Droz also unveiled its new boutique concept: remarkably pure lines play side by side with black and enamel or gray tones, or with alternating matt and gloss. Translated into decorative accessories, the curves of the figure 8, the brand's lucky number, complement the pure lines of the boutique and its furnishings.



"Jaquet Droz symbolizes the Swiss and Neuchâtel watchmaking tradition *par excellence*. When Swatch Group purchased the brand in 2000, its goal was to return Jaquet Droz to its foundations and strengthen them. That process could succeed only by honoring the remarkable legacy of Pierre Jaquet Droz, a true entrepreneur of the Age of Enlightenment. The objects he created are part of the history of the craft of fine watchmaking, both technically and aesthetically. They represent the foundations of a strong identity with an emotional resonance. Carrying on the history of Jaquet Droz by incorporating new developments thus perpetuates a legend and a legacy. Both offer inspiration for today and new horizons for the future." *Nicolas G. Hayek, Foreword to the book published to mark the 175th anniversary of the brand.*

Nick Hayek and Nicolas G. Hayek at the opening ceremony of the Manufacture Jaquet Droz in 2009.

### Creation

**Legend Geneva** With its black Grand Feu enamel dial and red gold case, the Legend Geneva collection successfully revives an 18th century pocket watch that directly inspired its creation.

**Urban London** Consisting of the brand's sports watches, the Urban London collection has been enlarged with three new models. With their fluted bezel, designer lines and open-worked lugs, the Grande Seconde SW Titanium and the Grande Seconde SW Red Gold embody at once a passion for style and modernity. The SW Chrono represents both a technical and a design challenge that Jaquet Droz has successfully met. Its easy readability and the accuracy of both its movement and its chronograph performance make it one of this year's key models.

**Majestic Beijing** A true watchmaking feat, The Eclipse is the star model of 2010. It shows a moon inspired by 19th century engravings reminiscent of the Mona Lisa, which plays hide and seek behind a matt black disk making a fine contrast with the shiny radiance of the dial. This mechanical performance, combined with an amazing visual display, is presented in an admirably pure aesthetic.





**Complication La Chaux-de-Fonds** Launched at Baselworld 2010, the Grande Seconde Minute Repeater represents the ultimate masterpiece of Jaquet Droz watchmaking complications. Its infinitely complex mechanism requires perfect mastery and is worthy of the most beautiful possible showcase. Accordingly, Jaquet Droz equipped it with a dial made of ivory Grand Feu enamel, a red gold case, and the legendary face of the Grande Seconde.

**Elegance Paris** The range of jewelry watches was expanded in 2010 with the Grande Seconde Lady Mother-of-Pearl and The Heure Céleste. Featuring a white mother-of-pearl dial set with diamonds, both are undeniably eye-catching and appealing.

### Presence

Jaquet Droz continued to develop its network of exclusive points of sale, opening three boutiques in 2010 and unveiling its new concept in Paris, Hong Kong and Macao to roll out the flag in a number of strategic locations. The brand plans to consolidate its presence in existing markets and to reorganize its position in the Middle East and in Europe.

In order to be as close as possible to its clients and to improve customer satisfaction, Jaquet Droz reinforced the development and integration of a complete customer service training facility for watchmakers in strategic markets, thus considerably reducing lead times on repairs and servicing.

225 years after opening its watchmaking workshop in the French capital, on September 9th 2010, Jaquet Droz inaugurated its first Parisian boutique at 8, rue de la Paix. The 198 m<sup>2</sup> space is a true representation of the brand's aesthetic principles. The cutting of the ribbon by Florence Ollivier and Marc A. Hayek was the highlight of this memorable event.

# TIFFANY & CO.



www.tiffanywatches.com



### Trends

Tiffany Watch Co. Ltd continued the success it has enjoyed since launching its inaugural collection at Baselworld in 2009. The brand, the result of an alliance between Swatch Group and Tiffany & Co., added an impressive selection of new models to the collection in 2010. These watches were consistent with the challenge the brand set for itself when it was founded: to design, produce and distribute watches worthy of the Tiffany & Co. name. Tiffany & Co.'s watch retail network expanded impressively throughout the year with new shop-in-shops and watch corners at select locations all over the world.

# A PRESTIGIOUS LOOK

**“Our company and our family have always had enormous good contact to the true America that we love. And Tiffany represents these United States, this America that we all love. And we are proud to be able to work with them.”**

*Nicolas G. Hayek, live by satellite from Biel, during the joint press conference of Swatch Group and Tiffany & Co. in New York in 2007, during which the partnership between the two companies was announced.*



# NGH

## Creation

Tiffany Watch Co. Ltd made some bold, dramatic design choices in 2010. Here are some of the year's highlights.

**Tiffany Gemea** The year's most dazzling offering was the Tiffany Gemea in 18 mm and 22 mm. This exquisite timepiece has a distinctive barrel-shaped case crafted in 18-carat white gold and embellished with Top Wesselton diamonds. The stones have been cut and set in ascending and descending size along the edge of the case to create an intriguing illusion of movement. The black lacquered dial has oversized and elongated silver Roman numerals at XII, III, VI and IX; a series of radial hour markers emanates from the interior rectangle bearing the Tiffany & Co. logo. The 22 mm models are also available in a stainless steel version with a choice of dials and straps. The Tiffany Gemea perfectly blends the essence of a legendary jeweler with the quality of fine Swiss watchmaking.

**Atlas Dome Gold and Atlas Dome Bicolor** Tiffany Watch Co. Ltd enlarged its Atlas Dome line in 2010 with the launch of the Atlas Dome Gold. Its 37.5 mm or 29 mm models are available in a choice of 18-carat red or yellow gold. The design was inspired by the Atlas Clock located conspicuously above the entrance to Tiffany's flagship store on Fifth Avenue. The watches are distinguished by the bold Roman numerals on their dials. The transparent caseback of the automatic models allows a clear view of the Swiss automatic movement with a Tiffany "T" decoration on the rotor.

The Atlas Dome Bicolor is a luxurious two-tone timepiece crafted from stainless steel and 18-carat red or yellow gold. It shares the elegant design features of the Atlas Dome Gold but is presented on a two-tone bracelet of 18-carat gold and stainless steel which is fully integrated into the watch case.



**Atlas Gent Square Chronograph** With its robust 40 mm stainless steel case and sporty design features, the Atlas Gent Square Chronograph exudes an unmistakable masculine appeal. With Roman numerals on its hour track and the six matt incisions on its bezel, this chronograph is undeniably a member of the Atlas Gent family. The watch is fitted with a Frédéric Piguet self-winding caliber 1285, a column wheel mechanism widely admired for its technological integrity and the smooth working of both the chronograph and timekeeping functions. The Atlas Gent Square Chronograph comes with a black alligator strap or, for the ultimate sporty look, a two-tone stainless steel/black rubber bracelet.

**5th Avenue** No watch in the collection more compellingly recalls Tiffany’s landmark flagship boutique on the world’s most famous shopping street than the 5th Avenue. Crafted in polished 18-carat white gold, the streamlined rectangular case is reminiscent of the main door leading into the magic world of Tiffany & Co. The 36 mm version of the 5th Avenue has a dial that sparkles with 145 Top Wesselton diamonds; its bold 46 mm counterpart features a sapphire studded dial.



**Presence**

Tiffany Watch Co. Ltd’s “Breakfast at Tiffany’s” coffee shop at Baselworld was again a favorite stop for visitors to the world’s most important watch and jewelry trade fair. In the second half of the year, retailer cocktail receptions were organized all over the world. VIP guests and local journalists were invited to enjoy cocktails and snacks and to experience the Tiffany & Co. watches.

A new advertising campaign and the expansion of the retail network helped to ensure that global awareness of the brand was enhanced and that Tiffany Watch Co. Ltd is meeting the challenges it set for itself when it was founded.





LÉON HATOT

MAÎTRE JOAILLIER 1905

www.leonhatot.com

# PRESTIGIOUS EXCLUSIVITY

Léon Hatot joined Swatch Group over a decade ago and, thanks to its remarkable Haute Joaillerie and watch creations, it has successfully established itself as a must-have brand for women with a taste for the exceptional. Drawing inspiration from the many sketches bequeathed by the brand's founder, Léon Hatot is distinguished by a unique character combining elegance, glamour, sophistication and refinement. The Art Deco spirit pervading the collections highlights the brand's identity and reinforces the interest it arouses and the success it enjoys.

Three product categories compose the current collections:

- The Boutique Jewelry line comprises jewelry collections called J'aime, J'aime Toujours, Mae, Vertige, Le temps d'aimer and Léona. The Coquine, Chrono, Charleston and the Secret watches also belong to this line and are all present at the various points of sale.

- The Haute Joaillerie features one-of-a-kind models combining technical complications, precious stones and noble materials.

- The Créations d'Exception are one-of-a-kind or issued in strictly limited series of either 7 – the brand's lucky number – or 77 for the larger editions.

Each creation by Léon Hatot calls for the know-how of jewelry and watchmaking professionals. The fine craftsmanship of these products and the choice of precious stones contribute to the brand's reputation and success.

In 2010, Léon Hatot dedicated more of its extraordinary expertise to women than ever. Although no new lines were created this year, clients had the privilege of

rediscovering the models that sparked the brand's renewed prestige, and this approach proved successful.

The new strategy adopted by the brand in terms of exclusive distribution through the Tourbillon boutiques, the high-end Swatch Group retail network, enabled the brand to be present in strategic locations, thereby preserving the exclusive nature and exceptional heritage of Léon Hatot.



**LONGINES®**

[www.longines.com](http://www.longines.com)



# TRADITION, ELEGANCE AND SPORT

## Trends

Through a whole host of activities, 2010 enabled Longines to consolidate the paths it has chosen over the past few years and to set new benchmarks in the continuation of a product strategy based on three principles: tradition, elegance and sport.

Longines reinforced its elegance segment with a new range of ladies' watches that combine steel and different colored gold. The Longines PrimaLuna and Longines DolceVita collections are made up of an attractive mix of models that combine steel either with rose gold or with yellow gold. New models have also been added to the

Longines Column-Wheel Chronograph line. These additions extend the selection of mechanical sports watches as well as classical, elegant timepieces that pay tribute to the brand's long watchmaking tradition.

Longines was delighted to welcome its new Ambassador of Elegance in 2010, British actress Kate Winslet. The brand's new ambassador starred in an advertising spot for the latest Longines DolceVita model in steel and gold with her colleagues, Indian actress Aishwarya Rai Bachchan and Asian film star Chi Ling Lin.



**“The Longines brand  
has become one of the jewels  
of the Swatch Group.”**



Nicolas G. Hayek and Walter von Känel  
inaugurating the Longines Museum  
in St. Imier, 1992.

NGH

### Creation

**Elegance: Longines DolceVita** The Longines DolceVita collection embodies the brand's vision of contemporary elegance. Created in 1997, this collection has been extremely popular across the world and today adorns the wrists of many who appreciate its refinement. It is characterised by a rectangular shape with pleasing proportions that offers a large scope for different versions. Longines thus decided to enhance the beauty of its key Elegance collection by using different colors of gold to set off the brilliance of the steel parts. Now available in different variations and offering an attractive creation to suit every taste, these new models are available in four sizes, some set with diamonds, with different dials, in steel and yellow gold or steel with rose gold.

**Elegance: Longines PrimaLuna** Again made up of a selection of pleasing and elegant versions combining steel and rose gold, the Longines PrimaLuna collection is a tribute to the modern woman. Together with mother-of-pearl, white or silvered dials, these two metals create a subtle beauty, enhancing the brilliance of the steel and the soft warmth of the gold. In the models set with diamonds, this combination of different tones radiates a breathtaking result.

**Watchmaking tradition and sport: The Longines Column-Wheel Chronograph** Having launched a watch in 2009 that featured an exclusive automatic chronograph movement fitted with a column wheel that governs the chronograph functions, Longines sought new horological openings in 2010 for this exceptional, easy-to-use caliber. Longines commissioned the Swatch Group company ETA to develop this brand-new movement. The Longines Column-Wheel Chronograph constitutes the contemporary embodiment of the brand's vast experience in mechanical timing.



"When I arrived here, very few people had an awareness of the brand. The people who produced movements at ETA were primarily concerned with selling as many movements as possible to all watch brands in Switzerland and abroad. That was how they wanted to make money, not by selling finished watches. In some cases, such as Longines, the conditions were appalling. This wonderful brand was being misused in order to sell movements."

**"You see, to earn a few francs of revenue from movements, the super-managers from ASUAG would have killed off the prestigious Longines brand. It was the opposite of what we did later."**

*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*



Nicolas G. Hayek, Dr. Hanspeter Rentsch and Walter von Känel, 1991.

The range includes models of classical appearance as well as sports models that highlight the functions of an exceptional chronograph.

**Heritage: The Longines Lindbergh Atlantic Voyage Watch** In 1933 the American aviator Charles Lindbergh set off with his wife on a flight around the North Atlantic. He explored future air routes to Europe via the far North before returning to the USA via Cape Verde and Brazil. The equipment Lindbergh took with him to collect and record the results included a Longines wrist chronograph specially produced by the Swiss watchmaker for this trip. The company has reissued this timepiece under the name Longines Lindbergh's Atlantic Voyage Watch in honor of the great aviator's feat.

### Presence

**Longines DolceVita in Rome** The new version of the Longines DolceVita collection was unveiled against the scintillating backdrop of the Villa Miani in Rome. In the Eternal City the Indian actress Aishwarya Rai Bachchan and the Asian film star Chi Ling Lin – both Longines Ambassadors of Elegance – welcomed Kate Winslet as their new co-ambassador. In effect, Longines appointed the British actress as Ambassador of Elegance at a sumptuous gala dinner attended by 400 invited guests. Alongside the Bollywood icon Aishwarya Rai Bachchan, who has worked with the brand for over ten years and the Asian film star, actress and model Chi Ling Lin, Kate Winslet is the perfect embodiment of the values that Longines holds dear. Her contribution adds a whole new dimension to the elegance of Longines' products.

**Tennis** As an official partner of the Roland Garros French Open, Longines decided in 2010 to contribute to seeking out tomorrow's champions. Sixteen children from around the world took part in a tournament at Roland Garros which culminated in an exciting mixed doubles final





featuring Gustavo Kuerten and Mary Pierce, who had both won the French Open ten years earlier. Longines also reiterated its support for disadvantaged children by making donations to the charities founded and run by the brand ambassadors Andre Agassi and Stefanie Graf. Finally, Longines was granted the singular honour of presenting, at a charity gala dinner, the Longines Prize for Elegance to Gustavo Kuerten for his commendable work on behalf of disadvantaged children.

In addition, Longines was official timekeeper for the Japanese Open in Tokyo and the Kremlin Cup, held in Moscow.

**Equestrian sport Royal Ascot:** For the fourth consecutive year Longines had the honor of being official timekeeper at this prestigious equestrian event. The spell-binding Asian star and Longines Ambassador of Elegance Chi Ling Lin attended Royal Ascot for the first time. This year the famous Swiss watchmaker was also one of the sponsors of the Royal Ascot Fashion Show, which was held in the Bessborough Restaurant.

**Nations Cup:** In 2010, Longines was once again official partner and timekeeper for many show-jumping events. The CSIO circuit started in La Baule (France) and included Piazza di Siena (Italy), St. Gallen (Switzerland), Rotterdam (Netherlands), Falsterbo (Sweden) and Hickstead (UK), with the grand finale at the Dublin Horse Show (Ireland). The French rider Pénélope Leprevost and the American rider McLain Ward were presented with the Longines Press Award for Elegance. Longines was also present at the Nations Cup Promotional League Final in Barcelona, as well as at four events in the Arab Equestrian League in Dubai, Sharjah, Abu Dhabi and Sharm el Sheikh.

**Racing:** For the first time in its traditional involvement in the legendary Melbourne Cup Carnival, the brand was a partner in the Longines Mackinnon Stakes. It was also official timekeeper and partner in the Longines Singapore Gold Cup, held at the renowned Singapore Turf Club. With its impressive prize purse, this race is one of the most important in Asia.

**Alpine skiing** In 2010, Longines was again official timekeeper for the Alpine Skiing World Cup organized by the International Skiing Federation (FIS). The competitions were held in Bulgaria, Germany, Finland, France, Italy, the Czech Republic, Norway, Austria, Sweden, Switzerland, Slovenia, Croatia, Canada and the United States.

**Gymnastics** Longines has been responsible for timing and data-processing for artistic gymnastics and rhythmic gymnastics events organised by the International Gymnastics Federation (FIG) since 1989. The brand was again present this year at the World Championships in these two disciplines, in Rotterdam, where the Chinese men's team was crowned champion yet again, and in Moscow, where the Russian gymnast Evgenia Kanaeva, a Longines Ambassador of Elegance, once again turned out exceptional performances.

**Boutiques** 2010 was an important year for Longines' retail initiatives with the inauguration of new boutiques in line with the Longines Flagship Store concept, including fourteen franchise stores in Hong Kong, Macau, Taiwan, Beijing, Singapore, Djakarta, Dubai, Shenyang, Chongqing, Chennai and Interlaken.



**RADO**  
S W I T Z E R L A N D

# A BOUNDLESSLY PIONEERING SPIRIT

## Trends

**Projecting its roots into the future** In 2010, Rado has continued the activities that have been the key to its success since 1962: to invent the future in terms of technology and watchmaking lines. The brand has continued its efforts in development, as much in the science of materials as in the field of design, the two poles forming the core of its identity.

**In the forefront of technology** True to its pioneering roots, in 2010, Rado pursued its research and is preparing once more to reinforce its technological lead in the realm of ceramics, the brand's material of choice since 1986. Following the recent development of watches made of titanium carbide, the brand is preparing some big new surprises for the coming months which clearly demonstrate its commitment to constant innovation.

**Purity and fluidity on the wrist** In design terms, Rado's approach is marked by the pursuit of pure aesthetics, increasingly driving the brand further in its quest to integrate shapes and continuity of its lines. In 2010, Rado pursued this approach which is the basis of its creativity, and its new collections express design whose purity is both subtle and fluid and in complete sync with current market trends.

**Design for living** At Rado, the development of a watch has to take daily life into account. This creed of functional aesthetics is completely shared with renowned British creator, Jasper Morrison, with whom the brand continued its successful collaboration in 2010. A watch also embodies the intangible elements that Rado is committed to integrating into its creative work. Drawing on the world of art and architecture for its inspiration, the brand strongly emphasizes this aspect of its design and in 2010 continued its pursuit of a more "lifestyle"-oriented outlook.

# NGH

www.rado.com



**Consolidation and development** In 2010, Rado's research and creation activities confirmed its position as a technological and design-oriented watchmaking brand. This was consolidated in other ways by the work done during the course of the year to develop its distribution and strengthen its brand image. In terms of sales, the brand evolved favorably across various markets such as India, China, South Korea and Malaysia. In addition, The Rado True collection underwent development both in terms of volumes and turnover. Sintra and Integral continue to tempt their audiences and decisively fulfilled expectations. On the innovation front, Centrix and the limited edition Sintra Automatic Skeleton have a very large following. Rado also pursued its retail deployment and opened new boutiques, including one at the Al Ghurair Mall in Dubai, realizing its desire to develop the brand in the Middle East. All these elements contributed to the stability of the brand in 2010.

**Investing in the future** Resolutely turned towards the future, in 2010 Rado continued its activities promoting young creators, targeting the new generation of designers, architects and stylists by launching a prize that rewards audacious design. By doing this, Rado continues to strengthen its privileged link with the world of design, including with respect to its lifestyle leanings that are attracting an ever increasing audience. While there are ever more efforts to support the talent of the future, mostly in Asia and Europe, Rado has a head start of several years in this respect and has firmly positioned itself as a brand with an eye on the future, thereby strategically increasing its visibility.

**“For us, the beauty of the product is very important, sometimes it's even the most important aspect. In terms of aesthetics, almost no one can match us.”**

Nicolas G. Hayek, Edgar Geiser and Roland Streule,  
Rado Chairman until December 2010,  
during a press conference in 1991.







### Creation

**Rado D-Star – paying tribute to the brand's origins** Extremely robust but light, the titanium carbide ceramic Rado D-Star – launched at the end of the year – upholds the brand's position at the pinnacle of innovation. This contemporary designer watch exists in a number of versions, from the automatic to the chronograph, reviving Rado's roots with its round case within a clean-cut faceted elliptical shape. A creation featuring a resolutely open, unostentatious authenticity.

**Rado r5.5 Automatic – recognizing the world of design** In 2010, Rado continued its collaboration with British designer Jasper Morrison with a new model that completes the r5.5 collection. This automatic watch emphasizes the prestigious international recognition won in 2009 with the Rado r5.5 – winner of the 2009 Good Design Award and iF Product Design Award and Red Dot Award in 2010 – winning the Champion of Time Award in the "Best Entry-Level Mechanical Watch" category – a creation that is part of a completely natural development.

**Rado Ceramica Digital Automatic – the best of two worlds** An uncontested icon of watchmaking design, the Ceramica line was once again the talk of the town in 2010 thanks to this model which allies digital and mechanical elements. For Rado, this combination represents a true technological breakthrough: the energy for the dial's digital display is generated entirely by an automatic movement that is visible through the transparent case-back. A creation that is both intuitive and technological.

**Rado Sintra Skeleton Automatic – contrasting black and gold identity** Created in a limited edition of 222 pieces, this new model is highly innovative thanks to its skeletonized automatic movement chronometer certified by the COSC (Swiss Official Chronometer Testing Institute) and with a black finish specially developed for Rado. It is housed in a *tonneau* or barrel-shaped case that is the hallmark of



the Sintra line, with an appealing play of shape and light, and gold plating on part of the skeleton movement enhancing the deep black of the case. A creation that boldly reinvents the contrast that is the brand's identity.

**Rado Centrix – the power of simplicity** A completely new collection launched by Rado in 2010, the Centrix is marked by the highly nuanced simplicity of which great classics are made. With its pure, authentic lines, it is a perfect complement to Rado's collection, tempting consumers with its elegant fluidity. A creation with quintessential elegance.

**Presence**

**Infinity is its only limit** Respecting the maxim of the company's founder: "If we can imagine it, we can do it. And if we can do it, we will," in 2010 Rado launched its new "Unlimited Spirit" consumer communication, with a dynamic, colorful advertising campaign. This was supported by a new, more dynamic, interactive Internet site for the brand. Rado also signed a contract with highly versatile Taiwanese artist – actress, singer, writer, and trend creator – Rene Liu, the new brand ambassador in China. This partnership was launched with a fantastic international event in Shanghai.

**Flying the Rado flag** 2010 also saw the brand opening sixteen new Rado boutiques, namely in Chennai, Bangalore, Teheran, Dubai, St-Martin in the Caribbean, Taiwan, Zhenjiang, Hong Kong and Singapore, bringing the total number of its boutiques around the world to 65. The

exclusive aesthetics of these new points of sale has maximized Rado's famous black in the spirit of the brand's new communications campaign.

**Design all the way** Apart from participating in various shows in the realm of design around the world, in 2010 Rado created its own prize. With the aim of rewarding young talent, the Rado Young Design Prize was awarded this year in Malaysia, South Korea, China, Austria and Poland, among other countries. The brand also partnered with various design events, such as the Dutch Design Awards in Eindhoven, the Design Preis Schweiz and the 100% Design in London and Shanghai. Rado also once again participated in the famous Milan Zona Tortona fair. With the aim of raising both journalist and client awareness, the brand organized interactive art workshops and an exhibition demonstrating the making of a ceramic watch, thus highlighting the r5.5 in the presence of its designer, Jasper Morrison.



UNION  
GLASHÜTTE/SA.



# IN THE GERMAN TRADITION

## Trends

Union Glashütte's highest current priority is the ongoing expansion of its indigenous German market. Founded in 1893 in Glashütte, the brand is one of Germany's finest, with a rich and well-established tradition. Its impressive domestic growth is closely related to this strong tradition, as well as to the introduction of modern, innovative product lines at affordable prices. This year, distribution has been improved both in volume and performance, and a growing number of jewelers and buyers now see the Union Glashütte brand name as one of great durability, independence and strength.

## Creation

**Noramis 18-carat Rose Gold** The newcomer in the collection is a true wonder with a precious case of 18-carat rose gold. In a perfect presentation of comfortable, laid-back chic, its timeless design stands out as a dramatic expression of absolutely exquisite quality.

**Belisar GMT** The travel-ready Belisar line features sporty, precise and functional timepieces with strongly contemporary design and a “Made in Germany” movement of the finest quality. Its GMT functions bring additional sophistication to this gorgeous mechanical watch, whose clear and open dial can also display a second time zone, thanks to a 24-hour hand. It is the ideal timepiece for globetrotters and worldly business travellers.

**Averin – Black** A bold and audacious timepiece with much to say about its owner, the black square Averin is worn with uncompromising pride. This latest addition to the Averin collection is fully black and brings sporty elements to an extravagant, exquisite design. A mechanical timepiece with a strong personality, it is intended for the most discerning of watch lovers.

**Averin – Small Second** True evocation of a character beyond the ordinary, the new mechanical movement Averin features a square design of relative rarity and a small-second indication. The latter, in perfect harmony with the exclusive nature of this timepiece, shows a specially-shaped counter reminiscent of a speedometer, which further conveys the Averin’s unique and remarkable personality.

## Presence

**Saxony Classic** Germany’s celebrated Saxony Classic Rallye featuring antique automobiles is one of the most interesting and popular events of its kind. In 2010, the rallye started in Zwickau and raced through Glashütte before finishing in Dresden. The numerous shared qualities that have long linked fine automotive machinery and the art of watchmaking make Union Glashütte and the Saxony Classic Rallye perfect partners.

**Press Dinner – Hamburg** All of Union Glashütte’s new products were presented to the lifestyle press in Hamburg in June. Journalists in attendance had the opportunity to discover the long and rich tradition of Union Glashütte, as well as its more modern facets, in the relaxed atmosphere of an open, informative dinner.

**Demonstrations of watchmakers’ skills** One of Union Glashütte’s primary goals is to show consumers the precise, high-quality mechanical expertise that goes into each of its timepieces. To achieve this, the company continued to organize special demonstrations by Union Glashütte factory watchmakers in many retail stores inside Germany – always a big success with watch lovers. Consumers were fascinated to discover the precious, almost magical inner workings of a Union Glashütte timepiece without its protective sapphire crystal. Expert comments by the watchmakers were also much appreciated by customers in attendance.





# IN TOUCH WITH YOUR TIME



NGH

www.tissot.ch

### Trends

In 2010 Tissot achieved double-digit growth worldwide. This represented the brand's fifteenth year of continual growth, further consolidating its number one global position in the traditional Swiss watch segment in terms of volume.

Tissot is established as a unique multi-specialist watch producer and this year again demonstrated its huge appeal both to men and to women. A wide range of models integrating diverse designs and functionalities, coupled with a reputation for excellence, appealed to the markets' varied tastes and timekeeping preferences all over the world.

Commitment to innovation found expression in both the Tissot products and its marketing activity. Highlights of 2010 included the introduction of the unique Tissot Sailing-Touch watches, a new advertising campaign featuring the brand ambassadors, as well as becoming the first watch brand to use QR codes and the dynamic Augmented Reality facility.

The Tissot retail network went from strength to strength in 2010. July saw the opening of the prestigious Tissot boutique on Paris's Champs-Élysées – other mono-brand stores opened in locations such as Mumbai and Cairo, bringing the impressive total to 100 (end of 2009, 68). Each week saw new requests coming in to open shop-in-shops and mono-brand stores around the world.



### Creation

In 2010 Tissot added two new watches to the extremely successful Tissot Touch Collection. The Tissot Sailing-Touch Lady and Gent both integrate touch-activated nautical functions, such as a tide-calculator and a regatta countdown, together with other favorites on land and at sea, like meteorological forecasting ability, a compass, two time zones and a dual alarm. A maritime-inspired design also contributed to securing a great launch success.

The new Tissot Visodate 1957 Automatic found its inspiration in Tissot timepieces released in the 1950s to celebrate the brand's centenary. Like the original models, today's interpretation integrates a date display into the automatic mechanism, a combination that turned heads at the time of its original introduction. The broad appeal of this watch confirmed customers' appreciation of the skill Tissot has in stylishly merging tradition with innovation.

**“Tissot is a culture, a mentality;  
Tissot is a company of emotion, universally  
recognised for its skill in creating and  
producing the Swiss watch. The Swiss watch  
that we would all like to own because it is  
beautiful and of top quality, and because it is  
made with all the love that we feel for our  
watches.”**

*Nicolas G. Hayek, Introduction to the book by Estelle Fallet,  
Tissot – Le roman d'une fabrique de montres, 2002.*



Nicolas G. Hayek and Francois Thiebaud during a press conference at Tissot in Le Locle in 1996.

Tissot marked 2010 with a strong collection of watches for women. The Tissot Lady Heart features a heart-shaped cutout in the dial revealing the movement in action. Feminine charm is a given thanks to a glistening mother-of-pearl dial and six sparkling diamonds, beautifully finished off by a fine white leather strap with a crocodile-print. Another favourite with the ladies was the Tissot T-Evocation. This modern watch won hearts with its geometric lines and smooth surfaces to complement looks ranging from edgy contemporary business style to the fun-loving girl about town. The option of diamonds on the dial attracted additional welcome attention to this coveted newcomer.



Francois Thiebaud, Nicolas G. Hayek and Nick Hayek at Baselworld in 2003, the year of Tissot's 150th anniversary.



### Presence

Tissot was loyal to its deep-rooted love of sport in 2010. During the year it partnered over 500 sporting events, embracing eight different disciplines. The Tissot time-keeping team brought precision and fairness to MotoGP, the Australian Football League (AFL), the Chinese Basketball Association (CBA), and the World Championships of cycling, fencing and ice hockey, through unparalleled time-keeping and information management expertise. It also rose to the specific challenges of timekeeping for the 2010 FIBA World Championships, in Turkey for men, and the Czech Republic for women. Tissot applies its dedication to innovation to sports timekeeping too, and in 2010 it was proud to carry out the timekeeping and data handling of the very first SportAccord Combat Games. Held at Beijing's Olympic venues, this competition witnessed athletes from 34 countries demonstrating their high-level skills in 13 martial arts and combat sports disciplines. Closing the sports timekeeping year on a high, Tissot was the official timekeeper of the FIE Fencing World Championships in Paris in November in the beautiful Grand Palais.

The Tissot ambassador family gained a high-profile new member in 2010, when basketball player Tony Parker signed up in a special ceremony with Tissot president François Thiébaud at the new Paris store. The French national basketball team captain and NBA San Antonio Spurs star always scores highly for his energy, apparent fearlessness and strong sense of social responsibility. At Baselworld 2010 Tissot premiered its new advertising campaign, starring established members of its ambassador family. Stunning black and white photography, the work of LA-based art and fashion photographer Jeff Burton, portrayed its subjects in energised environments, taken from their lifestyles, to show their favourite Tissot products in action. The so-called "In touch with your time" campaign underscored the intrinsic message that Tissot makes excellence accessible and enjoyed an intensive print presence around the globe.

Throughout the year Tissot brought evidence of its commitment to using innovative means of keeping fans and wearers in touch with its multi-faceted brand and product world. Spring 2010 saw the launch of Tissot Augmented Reality, software that connects to a webcam. This brought an exciting new dimension to personal shopping for the Tissot Touch Collection, enabling people to 'try on' virtual Tissot watches. Tissot was the first watch brand to have Augmented Reality on its website and also broke new ground in integrating this facility into its retail network, demonstrating that it is in touch with the future of shopping. The technology proved a major crowd puller across Europe in high-traffic locations in London, Paris, Lisbon, Geneva and Basel.

Tissot successfully integrated QR codes into consumer communication activity, delighting fans all over the world. At the MotoGP race in Laguna Seca spectators could scan a code next to powerful visuals of Nicky Hayden – or even on the outfits of Tissot hostesses and the exterior of a branded shuttle bus – to be instantly directed to the Tissot website. Brand Ambassador Danica Patrick made QR code history in 2010 when she raced in the NASCAR Nationwide Series CampingWorld.com 300 in Fontana, California with a code on her Number 7 Chevrolet car by Tissot.

This was the first time a QR code had been used on a racing car. Away from the racetrack, Tissot used QR codes into other print campaigns in a selection of markets.

Tissot is proud of its deep Swiss roots and always keen to share its pioneering spirit and patriotism with Swiss neighbors and visitors to Switzerland. The brand was therefore honored to be chosen as the exclusive Official Watch Partner of the famous Jungfrau Railway's Centenary in 2012. This collaboration has already led to the installation of two Tissot countdown clocks in the Jungfrau Region to count the days to the "zero hour" on August 1st 2012 that marks the 100th birthday of the Jungfrau Railway.

In 2010 Tissot clearly showed the phenomenal power of its diligently implemented retail strategy and its resultant sales network in over 165 countries, including 100 mono-brand stores. The investment in creating environments where customers can actively experience the Tissot brand has visibly paid off. From the distinctive shop-in-shops, right through to the recently opened boutiques in Paris, Mumbai and Cairo, dedicated environments act as a strong magnet for consumers, enabling them to feel part of the dynamic Tissot brand world. Excellent sales figures from these and neighboring retailers provide constant proof that the Tissot retail strategy is a major driver of success. This certainly will put Tissot in pole position as the company aims to clock up its sixteenth consecutive year of growth in 2011.





[www.ck.com/watchesandjewelry](http://www.ck.com/watchesandjewelry)

# PURITY AND SENSUALITY



NGH



### Trends

For the brand born of an alliance between the designer who is synonymous with minimalist fashion and the number one watchmaking group in the world, 2010 was marked by exceptional activity, as much in the realm of watches as jewelry. The results were even better than those delivered in 2008, the brand's previous record year.

Despite exchange rate volatility, sales turned out to be excellent across all of ck watch & jewelry's 80 markets, particularly in Russia and in Asia as a whole, where the brand shone once again. With record sales and a stronger visual presence, it became the undisputed leader in its sector – underlining the success enjoyed by the ck Calvin Klein boutiques in Hong Kong and Taipei. The brand also experienced an increase in visibility and sales in the Middle East, in addition to encouraging development in Europe, where it has been gaining market share despite the presence of strong competition.

Known for its excellent quality products and pure, easily recognizable style, ck watch & jewelry's performance is no less due to accessible pricing policies and efficient distribution, which were also major contributing factors to the increasing demand enjoyed in 2010. The brand continued to work on its strategy to improve visibility and strengthen its market presence, notably through close collaboration with its retailers and a new shop-in-shop.

With the exclusive models in the new Calvin Klein Collection, which was successfully launched in December 2010 at the famous Calvin Klein Boutique on New York's Madison Avenue, ck watch & jewelry is currently out to conquer a new type of consumer more interested in luxury and fashion.

In 2010, ck watch & jewelry maintained its position as the leader of its highly competitive market segment, that of the Swiss Made fashion watch.



Nicolas G. Hayek, Calvin Klein and Arlette-Elsa Emch at Baselworld 2007.

**“Never talk to me about image. An image doesn't move, it's immobile. Talk to me about message. A message lives, it is conveyed. In this sense, I truly appreciate ck watch & jewelry's message, which combines dynamism, enthusiasm and creativity. All the ingredients that make a successful brand.”**

*Comment by Nicolas G. Hayek at the kick-off meeting of ck watch & jewelry in Macolin in 2005.*



### Creation

Designing and launching watches and jewelry at the same rhythm as the frenetic world fashion calendar constitutes a challenge in terms of creativity, sales and logistics that ck watch & jewelry once again managed with success in 2010. In this regard, the brand continues its creative work in the spirit of Calvin Klein – embodying purity and sensuality, with sober, sexy chic that was once more perfectly translated into the innovations launched in 2010 to strengthen the basic collection.

Incorporating organic shapes while playing with transparency and contrasts, the new ck glam, ck delight and ck appeal collections consist of watches with flexible, luminous glamour, with generous dial openings, in the same vein as the new ck strive and ck deluxe, which offer a more defined, urban, sophisticated watchmaking personality.

Launched in Milan at a magic filled “black night party”, the ck black collection in black PVD is firmly rooted in current trends where black once again takes center stage to the point that it is well on the way to becoming a true classic.

Also translating this move towards less graphic, more flexible design, 2010’s top jewelry innovations were ck musing and ck resource. Made of brushed sterling silver, the first represents a ribbon in full motion, despite its rigidity – a metaphor of satin and purity. Combining wood and metal, the second is a re-interpretation of the ck ebony collection launched in 2007. Both embody fluid lines and the metamorphosis of shapes.

Be they watches or jewelry, the creations launched by ck watch & jewelry in 2010 were a renaissance of the creativity which is the hallmark of the brand, consistently underscored by the attention to detail that in design terms makes all the difference.



Natalia Vodianova, Tom Murray and Nicolas G. Hayek, at Baselworld in 2007 on the 10th anniversary of ck watch & jewelry.



# NGH



**Presence**

The events organized by ck watch & jewelry for the international press that took place at the beginning of 2010, shortly before Baselworld, were characterized by an intimate and rich sensorial experience. On each occasion, innovations were presented to around a hundred of the best-known fashion journalists in Europe and Asia. In exceptional contexts characterized by spicy colors or quiet majesty, they were introduced to the collections at displays and presentations of great originality and beauty.

The ck watch & jewelry stand at Baselworld once again struck visitors with its sober, luminous presence. Decorated with brand visuals, the now traditional ck party organized for the event in Basel represents an exceptional moment, and was once again the enormous success that it always is.

Young models Edita Vilkeviciute and Mark Cox were at the center of ck watch & jewelry’s highly sensual 2010 advertising campaign, along with Emily Di Donato and Sean O’Pry for the Calvin Klein Jeans Collection. Their magnetic charm was captured by famous artistic director, Fabien Baron, who created the brand’s campaigns in 2008 and 2009.



**BALMAIN**  
swiss watches

# ARABESQUE AT THE HEART OF THE BRAND

## Trends

In 2010, Balmain achieved encouraging sales growth in all the brand's key markets. This result was due to a series of successful product launches, and in particular that of the new Balmainia collection.

Balmain has been especially successful in Europe, further increasing its clientele and enhancing its reputation in a highly competitive environment. Within this region, Switzerland, Belgium and Russia are still very important markets for the brand from St. Imier which has managed to reinforce its distribution networks while establishing the enduring Balmain name and image.

www.balmainwatches.com



In 2010, sales and the number of points of sale also significantly increased in China and India, two markets that still harbor excellent growth prospects. Balmain also pursued its expansion in the Middle East, strengthening its potential throughout the region.

## Creation

**Arabesques Bijou** Some creations are instantly recognizable because they express an inimitable style or comprise a distinctive element, thereby undeniably contributing to the strength of a brand. The arabesque plays this identity-building role to perfection and is far more than merely a signature feature in that it actively contributes to forging the Balmain legend. However, the fundamental factor in the brand DNA was never before so strongly highlighted as in the new Arabesques Bijou collection.

This unique and profoundly artistic new line puts this sinuous motif in the limelight more strongly than ever, extending well beyond the case itself. The result is a creation midway between a jewelry watch and a sculpture. A quick glance is enough to note that the Balmain Arabesques Bijou is an unprecedented and highly original watch with its case that appears to be suspended in time within a garden of arabesques sculpted around the entire case.

**Balmainia Chrono** Bearing a name that is a contraction of Balmain and “mania”, the Balmainia collection has been generating lively passions since its birth in 2006. In 2010, to the delight of brand aficionados, Balmain presented an updated version of its collection including an exuberant ladies’ chronograph.

At Balmain, reworking a line implies an in-depth makeover that nonetheless preserves its original soul. All the aspects that contributed to the success of Balmainia – also known as the Miss Switzerland collection – including the imposing case and generous dial, continue to enliven the new versions, along with a wealth of other new and recurrent features.

**Ovation** The Ovation collection launched in 2010 is the epitome of retro elegance and contemporary classicism. Its Roman numerals and generous hour-markers are like suspension bridges leading towards a central island of arabesques. The diamond-adorned model is more fanciful and playful, particularly in the way it makes the diamond-set arabesques dance on either side of the case. The gaze is thus alternately drawn towards this sparkling vision and the calm serenity of the mother-of-pearl dial. This remarkable contrast thus enables this timepiece to glide smoothly from movement to inertia, and from excitement to serenity.

## Presence

Balmain’s partnership since 2005 with the Miss Switzerland competition has been a match made in heaven. Kerstin Cook was crowned Miss Switzerland 2010 on September 25th in Zurich, thus becoming the sixth consecutive beauty queen to be associated with Balmain. She will promote the brand in Switzerland and around the world for an entire year.



## Trends

In 2010 Certina delivered a record performance. This impressive result was achieved thanks to favorable growth in all of Europe, Certina's main market in terms of distribution and turnover. The brand strengthened its leadership position in the Nordic region in particular. In the budding Russian market Certina also quickly positioned itself as a frontrunner in the mid-priced sector, thanks to a highly strategic distribution network. Switzerland remains a key market for Certina which continues to enjoy a warm market reception from tourists and local watch enthusiasts alike.

## Creation

**DS Master – A watch with personality** The DS Master is a true masterpiece, a symbol uniting innovation and precision. The watch is a COSC-certified chronometer. Its generous black PVD-coated case cloaks a heart of cutting-edge technology, featuring quartz chronograph functions, in a timepiece with an exceptional quality-to-price ratio.

**DS Podium GMT Chronograph – Precision for globetrotters** The new sport-classical member of the DS Podium line is equipped with a brand-new ETA movement which includes a second time zone as well as a 12-hour chronograph. The DS Podium GMT lets modern globetrotters keep an eye on the time wherever their busy travels might take them.

# 100% SPORTY

**DS Rookie – Youthful, fresh and sporty** The vibrant and refreshing design of the DS Rookie chronograph is aimed directly at younger watch buyers. In sports, including motor racing, the "rookie" is the new recruit in his first season of competition. The DS Rookie chronograph is a tribute to the young and eager making their way to the winners' circle, with energy, drive and determination.

**DS First Lady Ceramic – Feminine and sporty in its rosy dress** A dynamic, sporty chronograph intended for active women, the DS First Lady Ceramic is a harmonious combination of a rose PVD-coated case and black or white ceramic inlay on its bezel and crown cabochon. Feminine in spirit and very warm with its pinkish hues, the watch blends a touch of clever science with delightful aesthetics through the use of high-tech ceramic material.



www.certina.com



### Presence

**Launch of the DS Podium Limited Edition – Pedro de la Rosa** Pedro de la Rosa is one of the most experienced and technically-astute drivers involved in Formula 1. Thanks to his friendliness and professionalism, Pedro has numerous fans, both in his native Spain and throughout the world. In October, with the participation of Spain's full national press corps, the ambassador joined Certina in Madrid for the launch of "his" DS Podium Limited Edition Pedro de la Rosa chronograph.

**Certina and BMW Sauber F1 Team – A long-term partnership** After a difficult start to the 2010 season, the BMW Sauber F1 Team managed to end the year shoulder-to-shoulder with the leading teams, thanks to important late-season finishes in the top eight. Millions of fans admired some truly excellent racing by Kamui Kobayashi in Valencia and Suzuka. The Certina logo figured prominently throughout the race calendar, with highly visible placements on the team's rear-view mirrors and drivers' helmets. The season's tight and exciting finish helped to enhance worldwide media ratings and the popularity of Formula 1 in general.

**Moscow press and retailer event** Certina's first event intended for retailers and the Russian press took place in June with a dual purpose. It introduced Russian racing car driver and Certina ambassador Timur Sadredinov, and marked the official launch of the DS Master in Russia. During the afternoon, guests participated in a go-kart race and the bravest ones rode as passengers in a drifting car demonstration, taking a few laps and experiencing some breathtaking skids. Retailers and journalists tasted first-hand a bit of true Certina dynamism.





**MIDO**  
SWISS WATCHES SINCE 1918

[www.mido.ch](http://www.mido.ch)



# THE MARK OF TRUE DESIGN

## Trends

The record rise in sales and in the number of watches sold by Mido in 2010 set the crowning touch to the strong growth achieved in previous years. Faithful to its strategy that consists of offering a range of timeless and mainly automatic watches distinguished by their excellent quality-price ratio, the brand appealed to more customers than ever. Its six main collections were enriched with new models or were entirely renewed while maintaining their respective positioning. Renowned for its models equipped with COSC-certified chronometer movements, Mido continued to devote great attention to precision in 2010.

Mido enjoyed remarkable growth in Asia and thus reinforced its position in a region that is of utmost importance to the brand. In China, Mido has come to be regarded by retailers as an essential player in its price segment. Latin America, a region with a longstanding tradition and great significance for Mido, showed a promising recovery, while both Europe and the Middle East demonstrated similarly positive results.

## Creation

### Multifort: special edition and quartz models

A Multifort Chronograph special edition in the brand's orange and black colors was one of the key new launches in 2010. The Multifort line was also enriched with a men's quartz chronograph featuring, for the very first time, a movement with retrograde function. A quartz chronograph collection for ladies was another first for Mido.

### Ocean Star Captain: roaming the seas

A must-have since the 1940s, this collection welcomed a new Ocean Star model that honors the line's reputation as the "king of waterproof watches". Designed to be perfectly functional under water, it is equipped with a diving bezel and ensures perfect readability thanks to a dial fitted with broad streamlined hands.

### Baroncelli: timeless charm and COSC certification

The series of new Baroncelli models launched in 2010 is entirely in tune with the classic spirit of the line and enriches its characteristic gentle lines with its own specific features: a domed anti-reflecting sapphire glass, a double bezel, and COSC-certified precision.

**All Dial Helium Valve: at ease even at great depths** Equipped with a helium valve and a reinforced case, this timepiece is a perfect blend of high-tech sophistication and aesthetic elegance, an accomplishment typical of the All Dial collection.

### Belluna: a cosmopolitan model hailing from New York

Inspired by the Chrysler Building, one of New York City's most famous skyscrapers, the Belluna line welcomed a GMT model with a dual time-zone display. Its design echoes the remarkable design elements of this gem of Art Deco architecture.

## Presence

Various events and roadshows around the world raised Mido's profile in the press as well as in shopping malls and points of sale. In Asia, the brand established itself in South Korea and was revived in Indonesia, formerly one of its important markets.

In China, the first Mido boutique was opened in Shanghai, along with around one hundred new points of sale in various cities. This development of its distribution network testifies to the brand's ambitions for this market where it has been present for the past decade. This tenth anniversary was celebrated with the press and with customers in various events held in cities around the country on the theme "A mark of true design", and which also served to emphasize Mido's values to Chinese customers. The brand



also pursued its charitable activities aimed at supporting the schooling of underprivileged children, particularly in Lanzhou.

A shop-in-shop was opened in the famous Taipei 101 Tower's shopping mall and serves to strengthen the brand's presence in that strategic location in Taiwan.

Mido met its goals in terms of enhancing its presence in Latin America, particularly through the opening of two new markets: Peru and Paraguay. The new Multifort Quartz Chronograph collection was launched in Mexico City in a former tramway depot. With its Streamline design, this huge gallery provided an outstanding setting that perfectly embodied the spirit of the collection.

The Swiss market enjoyed an excellent year in 2010, with tourists, especially those from Asia, contributing significantly to this success.





### Trends

Hamilton developed its brand presence and sales all over the world in 2010. The combination of striking products, excellent value and vibrant marketing captured the attention of customers everywhere, with Greater China representing a particularly strong market.

The brand's success was driven by 360° innovation, continually evident in product, communication and retail activity. For instance, the Hamilton Pulsomatic, a new digital watch equipped with an automatic movement, was launched to mark the fortieth birthday of the world's first

LED digital watch, also made by Hamilton. Exploring innovative new sales and marketing channels, Hamilton opened the Hamilton Lab [www.hamilton-lab.com](http://www.hamilton-lab.com), a futuristic online laboratory where fans can discover and reserve their dream watch from a series of exclusive limited editions.

A new Hamilton website featuring the latest online technology was launched in 2010, as well as a unique online training and educational facility, the Hamilton Watch University [www.hamilton-uni.com](http://www.hamilton-uni.com). Packed with generic and brand-specific information, it is key to attaining the Hamilton Watch Master title.

# LEGENDARY



[www.hamiltonwatch.com](http://www.hamiltonwatch.com)

### Creation

At the end of the nineteenth century, Hamilton had already earned the proud title of “The Watch of Railroad Accuracy”. In 2010 the Hamilton RailRoad series proved that the brand is still right on track, with stunning design and contemporary craftsmanship represented by dial decoration resembling rail tracks. The new Valgranges A07-511 movement was integrated into one model and the nostalgic 46 mm reference recalls its renowned pocket watch ancestors.

With a clear focus on the future, Hamilton cooperated with Hollywood hero Harrison Ford for the second time in 2010 to create special watches in support of the time-critical work of Conservation International’s Team Earth campaign. The Hamilton Khaki Team Earth Collection was dedicated to this global initiative to mobilize personal and collective action to protect the environment via the connective power of the internet. The watches attracted huge media attention and customers loved their nature-inspired design and the engraving on the caseback, “It’s time to DO”, a timely reminder of the necessity of preserving the planet.

### Presence

Hamilton still believes that its products are the true movie heroes and the brand’s watches continue to capture the imagination of Hollywood stylists. Screen highlights included an appearance of the BeLowZero Auto Chrono with alien-fighting Adrien Brody in *Predators* and of the JazzMaster Open Secret on the wrist of Ashton Kutcher in *Killers*. Both movies were supported by promotional events and Hamilton also partnered with the American Film Market in Santa Monica in 2010.

The brand’s love of cinema extends beyond its American origins. Closer to its European home, Hamilton starred in the French movies *L’Immortel* with Jean Reno, *Les meilleurs amis du monde*, plus *Camping 2* and *Donnant, Donnant* with Daniel Auteuil and Sabine Azéma. Hamilton’s watches were also featured in Russian and Swiss movies and the brand partnered with the Festival de l’Alpe d’Huez.



Hamilton was established in the aviation world before it had even been on other watch brands’ radar screens. Its love of the skies soared to new heights in 2010. Hamilton was official timekeeper of the 2010 AirVenture Oshkosh in the United States, the worldwide biggest airshow. The brand also exhibited at Tannkosh 2010 in Germany, one of Europe’s biggest fly-ins. Ambassador and aerobatic pilot Nicolas Ivanoff delighted visitors to both shows with a spectacular display and fans rushed to the Hamilton retail booths to discover the Hamilton pilot watches. Major celebrations took place in Italy in 2010 for the 50th anniversary of the Freccia Tricolori, the famous national aerobatic demonstration team, and Hamilton was proud to partner their special show in Rivotto. Rounding off its 2010 aviation activities, Hamilton produced a special watch for members of the Aéronavale (French Naval Aviation).



flik flak

www.flikflak.com

# IT'S GOOD TO BE A CHILD!

## Trends

The world's best-selling children's watch enjoyed yet another year of growth in 2010. Flik Flak's quality Swiss Made watches, offering a unique combination of fun and education, are now available in over 80 countries across five continents. The brand delights children of all ages with its products and dynamic online tools – and keeps their parents and teachers happy with its strong commitment to learning.

## Creation

The Flik Flak Cute-Size got top marks with its unique concept of teaching children to tell the time, featuring the brother-and-sister team Flik and Flak. Its fun factor came from popular designs inspired by the great outdoors, and its appeal grew with a clear passion for fashion. Flik Flak also listened to the wish of kids everywhere to look grown-up and enjoyed tremendous success with its new Full-Size models, integrating sophisticated materials and styles.



**“Keep the fantasy, the warmheartedness,  
the positive curiosity you had when you were six,  
in your childhood years.”**



Nicolas G. Hayek at a Flik Flak event in 2007 in Kindercity near Zurich to celebrate the 20th anniversary of the brand.

NGH

Some of the most iconic and adored cartoon characters confirmed that a Flik Flak watch was the place to be in 2010. The long and successful collaboration with Warner Bros. continued and was complemented by new cooperative agreements with Marvel and Mattel.

### Presence

In 2010 the Flik Flak global retail presence blossomed. Driving forces were stunning new wall systems and the integration of child-friendly seating areas, also perfect for integration into customer events. Flik Flak was a welcome sight for families travelling through Dublin Airport thanks to its new dedicated play area.

Building on the proven strategy of a mutually beneficial partnership, Flik Flak and Petit Bateau, the famed French brand for children's clothing, joined forces in October 2010 to launch a new watch collection to be sold by the impressive Petit Bateau sales network, as well as selected Flik Flak retailers in France. Another highlight of the year was the signing of a cooperation agreement with the world's most specialised retail toy chain, Imaginarium. Kicking off the collaboration was a collection of six Flik Flak timepieces, available exclusively through over 300 Imaginarium boutiques. And just in time to satisfy holiday wish lists, Flik Flak opened two special shop-in-shops in the beautiful Imaginarium stores in Barcelona and Madrid.

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**endura**

[www.endura.ch](http://www.endura.ch)

### Extended range

In 2010 Endura extended its watch range for the outdoor and adventure segment in support of the global licensing agreement it established with Timberland in 2005.

Adhering to Timberland's uniform focus and strategy across all categories, Endura introduced a special edition, Ocean Adventure II, in the summer to commemorate the anniversary of last year's highly successful Ocean Adventure I. Endura expanded its diverse range of products in September with the introduction of the Timberland Mountain Athletics line which features three watches designed for the active outdoor enthusiast. Additional extensions, notably of the Steprock and Glenwood lines, further secured Timberland's status as a global market leader brand-wide within its segment.





# PRESTIGIOUS UNIVERSES



Dedicated to masterpieces by Breguet, Blancpain, Glashütte Original, Jaquet Droz, Tiffany & Co., Omega, Léon Hatot, as well as to the exclusive Swatch Vendôme and Spiga lines, a Tourbillon Boutique unites all Swatch Group's prestigious brands under one store name. It thereby provides privileged and comprehensive access to various universes and to the brightest stars composing them.

In 2010, basing its commercial strategy on this exceptional and unique multiplicity, Tourbillon pursued the objective of offering its customers the best possible advice, the most direct after-sales service and the highest guarantee of product quality.

For Tourbillon, the past year was one of considerable expansion. Its network of exclusive boutiques was further extended to reach 20 points of sale at the end of 2010, all characterized by their luxurious interior design and their strategic locations at the most prestigious addresses on three different continents.

A new boutique was opened in the legendary Beverly Hills suburb of Los Angeles, as well as on the fascinating South Caribbean island of St. Barts. These points of sale across the Atlantic were added to the list of existing ones in New York, Las Vegas and in the South Coast Plaza near Los Angeles. In addition to those in Lugano, Lausanne, Montreux, St. Moritz and Crans-Montana, Switzerland welcomed a sixth Tourbillon Boutique on the famed Rue du Rhône in Geneva. Elsewhere in Europe, the various stores successfully pursued their activities in the city of Amsterdam, the spa town of Baden-Baden, the Kitzbühel alpine village and the seaside resorts of Nice, Porto Cervo in Sardinia, and Puerto Banus near Marbella. A new boutique was also inaugurated at Shanghai's storied Bund number 18 which joined two Chinese points of sale in Beijing.

For Tourbillon, 2010 also saw a significant increase in terms of both volume and sales for all the brands represented, and the sale of a number of truly exceptional timepieces.

TECH-AIRPORT

HOUR <sup>HP</sup><sub>HP</sub> PASSION

# INTERNATIONAL TAKE-OFF

Since its creation in 2004, Tech-Airport, the Swatch Group company specializing in airport watch and jewelry retailing has experienced exceptional expansion.

Whether the mono-brand retailers for Omega and Swatch, or the multi-brand Hour Passion boutiques, these points of sale match the expectations of various airports and their passengers by offering a complete and tailored range presented in an area featuring a design and fittings that set off the timepieces and jewelry from the various brands to their best advantage.

2010 was an eventful year for Tech-Airport as the company considerably broadened its network by earning various retail concessions that enable it to export its concepts well beyond national borders.

In spring, the company won a bid for tender in Singapore and inaugurated an Omega boutique at Changi airport. Expansion in Germany took the form of the fall opening of a first Hour Passion boutique in Düsseldorf, followed by a successful bid for tender at the new Berlin Brandenburg International airport involving four new sales areas that will become operational in 2012. In parallel, a new point of sale was set up in Dublin and a new Swatch store at Geneva Cointrin airport enabled Tech-Airport to consolidate the presence established there since 2009.

Thanks to its store concepts, its expertise and its knowledge of local markets, Tech-Airport now runs over 30 boutiques at eight international airports: in France at Paris Charles-de-Gaulle, Paris-Orly, Nice-Côte d'Azur and Nantes-Atlantique; in Switzerland at Geneva Cointrin; in Germany at Düsseldorf and in Singapore at Changi. The swift progress achieved by Tech-Airport proves its status as an effective model tailored to market needs. Its know-how was, in fact, recognized by the *Duty Free News International* magazine which awarded it the travel-retail excellence "best 2010 watch concept" prize for its Hour Passion boutique at Geneva Airport.

The communication surrounding the multi-brand boutiques in 2010 also enabled brands to effectively convey their news to passengers around the world with spectacular animations such as nine-meter high Breguet billboards at the Nice-Côte d'Azur airport, or Tissot's 3D Augmented Reality and the Hamilton plane at Geneva Cointrin airport.

With the scheduled openings of Hour Passion boutiques at the Venice and Düsseldorf airports, 2011 looks set to be full of new challenges for Tech-Airport, which aims to become the global reference in airport watch and jewelry retailing.





斯沃琪和平飯店藝術中心

THE SWATCH ART PEACE HOTEL



# THE SWATCH ART PEACE HOTEL

2010 saw major progress in one of Swatch Group's most prestigious and high profile projects, The Swatch Art Peace Hotel in Shanghai. Under the unique concept created by Swatch Group, the former South Building of the Peace Hotel, one of Shanghai's most notable monuments, has been restored to its former splendor and transformed into a vibrant hotel dedicated to the creative arts. This new role and its prime location on the Bund – the city's historic financial district and today one of its most attractive tourist and shopping destinations – give the Swatch Art Peace Hotel a particularly visible presence in the People's Republic of China.

The Swatch Art Peace Hotel is a multipurpose center for the creative arts, with exhibition and performance venues, a retail environment for four of Swatch Group's leading brands, an artists' community in which guest artists live and work in on-site ateliers, as well as an exclusive residence for external guests. The hotel also features a world-class restaurant and a rooftop terrace offering spectacular views of the Bund and Pudong, the city's booming financial and business district.



[www.swatch-art-peace-hotel.com](http://www.swatch-art-peace-hotel.com)



At the outset of the project, Swatch Group appointed Parisian agency Jouin Manku to assist the Group in developing a comprehensive concept that assured due respect for the heritage and historical importance of the building. In May 2010, with restoration substantially complete, The Swatch Art Peace Hotel reached a major milestone: four exclusive monobrand boutiques – Breguet, Omega, Blancpain and Swatch – opened for business on the ground floor. A unique environment was developed for the Swatch boutique, and the flagship Breguet, Blancpain and Omega stores have each brought their signature look and feel to this unique location, adapting to and enhancing the period décor and cultural ambience of the landmark structure.

From the beginning of May to the end of October, Expo Shanghai 2010 attracted millions of people to China's most dynamic city, and the four Swatch Group brand boutiques were well placed to welcome fans and connoisseurs of prestigious Swiss Made mechanical timepieces and trendy fashion watches.

Work continued throughout the year in preparation for the opening of the Shook! restaurant in early 2011 and of The Swatch Art Peace Hotel Residence, a set of seven exclusive suites and rooms designed by Jouin Manku. Also expected for 2011 are the first international and Chinese guest artists representing a broad range of creative disciplines. They will be selected by an international committee comprising Swatch Group Chair Nayla Hayek, Swatch Group CEO Nick Hayek, Swatch Group Board Member Esther Grether, actor George Clooney; PPR CEO François-Henri

Pinault, Mikhail Kusnirovich, Chairman of the Committee of the strategy development of GUM, and YTL Group Chairman Sir Francis Yeoh. The artists will live and work in The Swatch Art Peace Hotel's 18 workshop apartments for periods of up to six months. They may exhibit their work in the Hotel and will be asked leave behind a "trace" of their art on completion of their stay.

The Swatch Art Peace Hotel is a joint venture with Jin Jiang Group, China's leading hotel and travel group, in which Swatch Group holds a majority interest. Swatch Group has appointed Singapore-based YTL Hotels to manage the Swatch Art Peace Hotel and its Residence as well as to operate the Shook! restaurant.





[www.citedutemps.com](http://www.citedutemps.com)

# THE MANY FACES OF TIME



In 2010, the Cité du Temps in Geneva inspired, entertained and informed local and international visitors with 20 diverse exhibitions. A huge spectrum of content and themes presented and reflected on the subject of time from a variety of angles.

**The sustainability of time** Sustainability tops global priority lists. The Cité du Temps has dedicated several special exhibitions to the topic, specifically to the sustainability of time. Artist and TV personality, Ted Scapa, offered a rare opportunity to see work from his art collection. Featured artists included Keith Haring, Salvador Dalí, Jean Tinguely and Bert Stern.

In “Tyres matter”, Serge Van de Put presented the view that each generation reinvents its past, with a show of his fascinating sculptures in rubber. In a unique mix of art and humour, he perfectly captured the beauty of recycling. The interactive exhibition “Time and Cities” showcased the results of a joint project between two of Europe’s leading architecture schools, the Ecole Nationale Supérieure d’Architecture de Lyon (ENSAL) and the Universidad Francisco de Vitoria (UFV) in Madrid. It looked at the theme of time from three viewpoints – through the eyes of those who plan cities, those who build them and those who ultimately live and work in them – and invited visitors to do the same, leading to fascinating conclusions on what makes cities tick.

**Celebrating memories and visions** The Cité du Temps has established itself as an iconic venue for Swatch Group brands to celebrate both their historical milestones and their future-oriented initiatives. A mesmerizing exhibition, “Two centuries of Breguet chronographs”, gave insights into the artistry and innovation that have secured Breguet pride of place in horological history books. “Tissot & Motor Sport” provided a multi-medial retrospective on the brand’s love of and involvement in motor sport. Film clips, posters and watches told the story of a deep-rooted and dynamic relationship. And with its eye firmly fixed on the future, Rado celebrated its partnership with the prestigious Design Preis Schweiz in an exhibition and event at the Cité du Temps. This marked the kick-off of a world tour dedicated to giving Swiss design an attractive international platform.

# PRODUCTION WATCHES, JEWELRY





**ETA**<sup>SA</sup>  
MANUFACTURE HORLOGÈRE SUISSE  
DEPUIS 1793



## ETA Manufacture horlogère suisse

[www.eta.ch](http://www.eta.ch)

ETA's activity in 2010 was at a high level both in terms of results and production volumes. Numerous investments enabled progress in growth, industrialization and making products that meet the demands of the watch brands. These investments were directed at employees as well as production resources, processes and facilities.

The quartz products have been following an upward trend to return to their 2008 levels. The Swatch models have experienced similar growth with their Colour Codes and New Gent collections. The results are also excellent for mechanical products, as shown by the production of calibers A14 and A16 for Omega and the A08 for Longines. This expansion in the mechanical, quartz and Swatch product sectors encouraged ETA to develop more new technologies based on specific knowledge and skills. The production of dials, for example, has been thoroughly modernized, while crystals are now fitted automatically in a unique robotized process.

The second major innovation in 2010 came from the department for high-performance synthetic injection molding (SHP). Micro-molding produces parts of unrivaled

precision. Judging from the success that the caliber C01 brought to Swatch and Tissot, the value of products derived from this technology can no longer be questioned. It opens further opportunities of growth in association with other Swatch Group companies.

All these activities have been governed by the highest expectations of quality. By modernizing the product-development process, ETA has maintained its proactive approach, detecting and solving problems far upstream in the process to ensure quality and keep costs down.

In 2010, the company was able to respond quickly to a sharp recovery in demand and production thanks to Swatch Group's decision to safeguard jobs during the 2009 downturn. Major investments in ongoing training, information and recruiting have brought about a continuous improvement in the skills, flexibility and versatility of human resources. Launched in 2009, the leadership skills-development and monitoring program was extended to all management staff in 2010.

Elsewhere, verticalization of production at the different plants has allowed ETA to become more efficient and profitable. These investments in manufacturing are associated with long-term projects. They contribute directly to an increase in human and industrial capabilities and to the quality of all the Swiss Made movements the company produces.



**"It is high time that we, as entrepreneurs, refuse to let ourselves be held back by people who have no idea what production and marketing are all about. Otherwise, we will never achieve growth."**

*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*

Peter Arnold and Nicolas G. Hayek during a press conference at ETA in 1987.

**FRANÇOIS GOLAY SA**  
Fabrication de pièces d'horlogerie  
 Depuis 1855



The modernization of the many manufacturing plants that started in 2008 reached a new stage this year. The Moutier factory now handles the production of winding rotors and aluminum cases. In addition, Swatch Group has taken over the activities of Tanzarella SA by a transfer of assets to a new company called Assemti SA. The company is involved in assembling mechanical movements. The incorporation of an 18th ETA manufacturing facility will give Swatch Group the support of a true and seasoned partner while further strengthening its in-house capabilities.

The enormous task of making the archives secure was handled throughout the year in collaboration with Swatch Group. Preserving heritage is of the utmost importance for the future and contributes to the fund of knowledge and skills of both the company and Swatch Group.

2010 will forever be a year apart, marked by the passing in June of Nicolas G. Hayek. It now remains to cultivate his legacy by applying fully the strengths and skills necessary to reach the objectives clearly defined by Swatch Group and set by the Chair of its Board of Directors and the President of its Management Board, Nayla Hayek and Nick Hayek respectively.

## François Golay

[www.francoisgolay.ch](http://www.francoisgolay.ch)

2010 witnessed a number of landmark events for the company based in Le Brassus (Vallée de Joux). Barely two years after being taken over by Swatch Group, François Golay was united with the Valdar company located in L'Orient (Vallée de Joux) and specializing in micromechanical products. The new entity was formed under the name François Golay as of 1 December 2010.

This merger served to reinforce competencies by bringing together several specific activities on various products and thereby enabling the company to provide extremely active support for several of the high-end Swatch Group brands.

The size of the new company also opened up whole new horizons in terms of skills development and career progress. As a direct result of the commitment and the professionalism of the personnel within the two companies, who handled this unification in an exemplary manner, the merger also served to enhance versatility.

The drop in sales experienced by Valdar during 2009 was short-lived, since activities steadily picked up during the second half of 2010, during which François Golay enjoyed significant growth in production. The now conjoined



Nicolas G. Hayek and Adolf Ogi at ETA in 1993.



Nicolas G. Hayek and Jacques Chirac at ETA on January 17, 1994.



activities enable it to assert itself as the most efficient subcontracting company in the Vallée de Joux.

Staff members specializing in the development of press tools and erosion technologies have been recruited with a view to creating a Press Tools division, thereby reinforcing the positioning of François Golay. Quality specialists have also joined the teams in order to enhance processes and to meet all the quality criteria of an ever more demanding clientele. Moreover, considerable efforts have been expended on providing support for the company management team in the financial, human resources and logistics departments.

The actions undertaken in 2010 therefore put François Golay in a strong position to look serenely to the future with the main goal being to provide unconditional support for the legendary Breguet, Blancpain and Jaquet Droz brands.

## Nivarox-FAR

[www.nivarox.com](http://www.nivarox.com)

In 2010, Nivarox-FAR was able to keep pace with the strong growth in orders, particularly for Swatch Group companies, thanks to the determination of Swatch Group management not to proceed with any layoffs during the economic downturn that had affected the entire watch industry. This period was instead used by Nivarox-FAR to conduct a certain number of training schemes for all its personnel, thereby consolidating their knowledge and confirming quality plans for its entire product range.

Special attention was devoted to the core skills of Nivarox-FAR, such as profile-turning and cutting, through the creation of additional jobs in these sectors and by setting up new training courses in the field of burnishing and for press-making mechanics.

In conjunction with continued investments, this strategy of maintaining personnel levels enabled the company to rapidly increase production capacities in order to keep up with the market recovery, particularly in the manufacture of main springs and of silicon balance-springs intended for Omega and its Co-Axial escapement, and for Manufacture Breguet which gave a world-exclusive presentation of silicon balance-springs with a



Pierre-André Bühler and Nicolas G. Hayek during a Nivarox-FAR factory visit in Fontaines (Neuchâtel), 2005.



Breguet end curve at the Cité du Temps in Geneva, in January 2010.

New industrialization processes also enabled the development of a new lighter escapement for Breguet's 10 Hz caliber, as well as the creation of a production line dedicated to a new generation of regulators for an ETA caliber.

In 2010, Nivarox-FAR worked to improve its production sites, particularly in Le Locle (Canton Neuchâtel), where the historical building designed by the architect P. Davoine in 1949 was entirely renovated and incorporated into the Nivarox-FAR infrastructure. The unit in Fontaines (Canton Neuchâtel) in the Val-de-Ruz also became the new hub of the activities initiated by Nicolas G. Hayek in 2000 and involving the casting of material used to make ferromagnetic-based balance-springs. This new facility and the expertise of Hayek Engineering served to improve mastery of the metal constituents of this material. A new unit dedicated to assembling high-end balances, particularly for Breguet and Blancpain, was also created on the Villeret (Canton Bern) site.

2010 marked the company's 160th anniversary and represented an opportunity to organize an exhibition in the German Watch Museum Glashütte – Nicolas G. Hayek, highlighting the company's pioneering, extremely active

and decisive role in the development of compensating watch balance-springs. The latter were indeed the result of joint work conducted during the first decades of the 20th century by C.-E. Guillaume, who won the Nobel Prize for Physics in 1920, and the Fabriques de Spiraux Réunies, forerunner of the Nivarox-FAR company.

For Nivarox-Far, 2010 will always be a year marked by emotion and sadness following the passing of Nicolas G. Hayek, the visionary who, by developing a movement intended for mechanical self-winding Swatch timepieces in the 1980s, effectively saved the company, its jobs and its distinctive professions.

## Comadur

[www.comadur.com](http://www.comadur.com)

In 2010, Comadur, Swatch Group's specialist for hard materials, underwent a complete restructuring which enabled the company to refocus production activities on the skills and knowledge available on site. The five divisions that historically comprised the company have now become two multi-site operational units. One is involved in micro-technical parts for watch movements and in making synthetic sapphire while the other is specialized in exterior parts made of sapphire crystal and ceramics. At the same time, Comadur has redirected its sales and growth essentially toward watch products. These moves are intended to make the company more quickly and effectively responsive to the increasingly specific demands of the watch brands.

After investing in factories and integrating thin-coating operations on sapphire crystal and ceramics, Comadur embarked on a program of investment to increase its production capacity. The company, based in Col-des-Roches (Neuchâtel), thereby aims to meet the demand projected by the Swatch Group brands for components manufactured in Switzerland. It also intends to keep its technological lead in its main activity – the manufacture of watch components in hard materials – with a plan to

**“We launched a mechanical Swatch because we wanted to keep the know-how needed for the manufacture of mechanical watches in Switzerland and we wanted to save our six specialized factories working in this field.”**

*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*





upgrade its manufacturing machines. These efforts are to ensure the long-term production and development of Swiss watch glass and jewels in sapphire crystal and ruby as well as the manufacture in Switzerland of ceramic parts for watch cases.

In 2010, Comadur oriented its technical development towards the creation of new types of ceramic bracelets and new watch bezels that will be found in products soon to be launched. The company also plans to put into industrial production two new types of ceramics that meet specifications for watch case and bracelet components. In a move to meet the needs and criteria of the luxury sector, Comadur has set up workshops meeting specific quality norms and implementing a suitable model for cellular manufacturing.

Through these active efforts, Comadur intends to cement its position in the watch market while pursuing its strategy of innovation.

## Rubattel et Weyermann

Increased production capacity, as well as a strong determination to meet customers' demands in terms of new product development, were the keywords of 2010 for Rubattel et Weyermann.

The ongoing investments focused on renewing the fleet of CNC machinery and adapting production means to strong demand. As manpower represents a major factor in dial-making, Rubattel et Weyermann pursued its efforts in the area of recruitment and internal training. The company also reinforced shift work in various sectors, a necessary measure to support the increase in production volumes.

2010 also proved extremely productive in terms of prototypes, and the development team was able to provide support, advice and flexibility for all creations requested by clients, and to meet numerous deadlines throughout the year.

Finally, in March 2010, Rubattel et Weyermann was requested to find synergies with MOM Le Prélet with a view to providing an even more effective response to the growth of the Swatch Group brands.

## MOM Le Prélet

In 2010, MOM Le Prélet continued looking for synergies in terms of know-how and technologies, pursuing its joint strategy with Rubattel et Weyermann. The teams of both companies worked in constant cooperation in order to provide an optimal response to customers' demands.

The setting up of an ERP system also enabled MOM Le Prélet to standardize its production documents such as technical specification sheets and task lists. The creation of these strong foundations will support the anticipated growth.

The emphasis put on feasibility and industrialization aspects, including the reinforcement of the technical department, has enabled MOM Le Prélet to adapt its offer more closely to customers' demands and to provide a service up to their expectations.

Finally, substantial efforts were devoted to the introduction of a quality management system serving to achieve enhanced standardization and perfect consistency in terms of aesthetic criteria.

The various actions undertaken in 2010 put MOM Le Prélet in an excellent position to face the challenges expected in 2011.



Deutsche  
Zifferblatt  
Manufaktur



## Deutsche Zifferblatt Manufaktur

[www.zifferblaetter.de](http://www.zifferblaetter.de)

Deutsche Zifferblatt Manufaktur (DZM) continued to strengthen its employees' expertise in the production of dials in 2010 thanks to an in-service training program. The use of new technologies also served to ensure a further increase in production in order to meet demand.

The company's production program ranges from prototype making to series machining of various types of dials and of their small parts.

Modernization of production testing and quality assurance processes enabled the company to attune its offer even more closely to the individual wishes of each customer.

Drawing upon its flexible and highly motivated personnel, fine hand craftsmanship and high-tech precision, DZM produces exclusive small series of high-quality dials intended for world-renowned watch brands. New technologies, particularly in the field of surface treatments, are implemented in order to create the ideal face for each watch. DZM's aim is to handle the entire process from the initial sketch through to the finished dial, and to offer its customers even more comprehensive service in harmony with the "Made in Germany" spirit. DZM is thus perfectly equipped to face the future.



UNIVERSO

Manufacture d'aiguilles de montres depuis 1909



## Universo

[www.universo.ch](http://www.universo.ch)

In order to meet growing market demand and to realize its ambitious projects, Universo continued to marshal the necessary resources to meet the Swatch Group requirements, whatever the volumes, product types and range segment involved.

**Hands division** The European number one producer of watch hands experienced the first effects of the worldwide economic recovery through an explosion in the number of orders, with the vast majority coming from Swatch Group brands. This extremely positive situation continued throughout the first three quarters of 2010, putting Universo's production capacities under considerable strain. Unprecedented adaptive measures were implemented, including a widespread campaign to recruit new personnel as of February 2010.

The markets for all types of hands enjoyed significant growth, with the steepest rise involving those industrially produced in strips, which saw an increase to almost double the 2009 volume. There was also a sharp increase in the volume of the manufacture of individual products in gold, steel or high-grade brass. In this segment of hands adorning the finest watches from Swatch Group brands, the growing complexity and the increasingly demanding aesthetic criteria drove the company to rethink its production processes constantly.

**Indexes division** At the end of 2010, the integration of the production site for dial indexes was completed, both from a legal standpoint with the dissolution of the corporate name Indexor SA which became Universo Division Appliques, as well as in terms of ensuring compliance with Universo standards. Personnel management and versatility training, as well as the integration of the entire range of management means and systems, such as SAP networking, have now been fully mastered.

*Manufacture Favre et Perret SA*

Towards the end of the year, efforts were also directed towards defining and implementing a quality system, as well as creating the documentation and working instructions relating to the quality criteria demanded by the company's clients.

Moreover, Universo also examined the possibility of acquiring a plot of land for the construction of a building providing space to accommodate its entire range of activities currently spread among three different sites.

## Favre et Perret

Favre et Perret is a luxury watch case manufacturer that combines the most recent technologies with traditional know-how in order to maintain its leadership role in the high-end market segment. Throughout 2010, it successfully accompanied the Swatch Group prestige brands in creating new collections, including the Réveil Musical and Reine de Naples Sonnerie au Passage models by Breguet, the minute repeater pocket-watch from Glashütte Original, the Céleste by Jaquet Droz, the Square from Tiffany & Co., as well as Blancpain's Villeret Demi-Savonnette pocket watch.

The company reinforced its organization and devoted particular attention to its production flows in order to meet its customers' growing demands in terms of quantity, complexity, lead times and quality.

In the field of technical developments, the refining project finalized at the beginning of 2010 enabled Favre et Perret to internalize all recycling of its own precious metals and also to make its competencies available to other Swatch Group companies. Moreover, by building on the development of the casting activity, the company has become self-sufficient in the production of its own alloys.

Engaged in a permanent quest to improve its industrial flows, Favre et Perret constantly sources and acquires new technologies enabling it to optimize its production facilities.

## Manufacture Ruedin

By maintaining its expertise and optimizing its production processes, Manufacture Ruedin proved itself quick to react and to respond effectively to the strong demand from Swatch Group brands, thus enabling it to achieve double-digit growth in 2010.

Brands such as Omega, Longines and Rado entrusted the specialist in watch cases combining metal and other materials – ceramics, hard metals and sapphire crystals – with a number of new projects, including research and development in the field of unprecedented materials. Manufacture Ruedin's long-term efforts on new product developments were mainly focused on models such as the Centrix by Rado, Omega's Ladymatic, the Reine de Naples by Breguet, and the Primaluna by Longines. Cooperation with other Swatch Group production companies was also consolidated in order to provide the brands with enhanced services.

Particular efforts were devoted to achieving a significant reduction in energy consumption. Investments made in this area in 2010 generated convincing results.

Building on the know-how of its personnel, Manufacture Ruedin will continue to invest in its production facilities to further strengthen its competitive advantages, particularly based on proximity to its customers, and to increase its overall competitiveness in order to meet its clients' sophisticated demands.

## L A S C O R



### Lascor

In 2010 Lascor showed a marked increase in production volume for bracelets in gold and steel as well as for cases in gold.

The improvement of the infrastructure started in 2009 and involving the conversion of an existing building into the gold production flow was completed, allowing Lascor to adapt its production capacity to order quantities and serving as a basis for further development. Other investments made in 2010 enabled the company to strengthen its manufacturing base and services. This was made possible primarily through targeted improvements in customer service but also by setting up a manufacturing cell for prototypes which is also used as a center for training on CNC machines. Thanks to a new production line, the manufacture of gold bracelets could be rationally adapted to customer requirements. 2010 also saw the introduction of a project for an automated data gathering system in the production area. It will contribute significantly to improved production control in the years ahead. Investment in environmental measures allows Lascor to treat all processed wastewater in the factory. The production organization was optimized through the introduction of production line department managers and recent successful efforts in the field of quality assurance were continued.

### Meco

[www.meco.ch](http://www.meco.ch)

2010 saw Meco consolidate its position as a privileged supplier of crowns, pushers and other watch exterior components for a number of renowned watch firms. The consistently high level of orders from Swatch Group brands throughout the year enabled the company founded in 1941 and headquartered in Grenchen (Canton Solothurn) to achieve considerable progress in all areas of activity.

The global job maintenance policy adopted by Swatch Group in 2009 bore fruit during the ensuing strong recovery in demand on various markets. This approach also ensured the success of a large number of industrialization projects, particularly for Breguet, Omega, Blancpain, Tiffany & Co., Longines, Tissot and Swatch, as well as for many other Swiss brands.

Numerous investment projects were initiated in order to support growing demand for a variety of components in different grades of steel and precious metals. Several modern production methods were implemented in order to offer clients the possibility of machining pushers in unprecedented shapes.

2010 also saw the concretization of several projects related to new technologies. These developments undertaken in cooperation with other Swatch Group companies made it possible to offer a large choice of finishes, colors and surface states for a single product.

Meco also successfully delivered crowns complete with gaskets and mounted on stems ready for assembly. Representing an authentic paradigm shift, this alternative to traditional crowns offers a competitive advantage to clients placing bulk orders.

Meco's determination to invest and expand enabled it to achieve a substantial increase in the development and production capacities available to brands, and thereby to pursue its strategy of internalization and verticalization of numerous professions linked to the manufacture of high-quality products.



## Swatch Group Assembly

In 2010, the activities of the Swatch Group Assembly company once again focused on consolidating its flexible production lines and cells in order to guarantee quality, flexibility and technical sophistication for all Swatch Group brands.

Investments made with a view to ensuring continuous improvement mean that the equipment meets the most stringent quality control and testing standards, and that the working environment boasts a level of cleanliness surpassed only by laboratory conditions. An extended training unit and a prototype department have been set up in order to enrich the production support processes, thus enabling the company to enjoy steady and swift growth in terms of personnel. Moreover, the customer brands of Swatch Group Assembly continue to be immediately and fully involved in the product development and creation process, as well as in logistical follow-up. Over the first half of 2010, the company also made an effort to improve environmental quality and implemented innovations aimed at integrating new competencies and in making rapid changes in the field of production.

Thanks to these threefold efforts in terms of the working environment, production equipment and human resources, Swatch Group Assembly continues to demonstrate considerable versatility and a level of maturity enabling it to assemble all types of watches – from quartz to mechanical timepieces and chronographs as well as the T-Touch by Tissot – and to ensure similar assembly times for these models whatever their degree of complexity.

Swatch Group Assembly will shortly be completing the extension of its production surface areas in order to offer its customers greater assembly capacity, new competencies and increased training opportunities, as well as additional services in terms of component storage and logistics.

## Dress Your Body (DYB)

DYB saw a general recovery in 2010 with the reinforcement of production means and the establishment of a structure for jewelry watches.

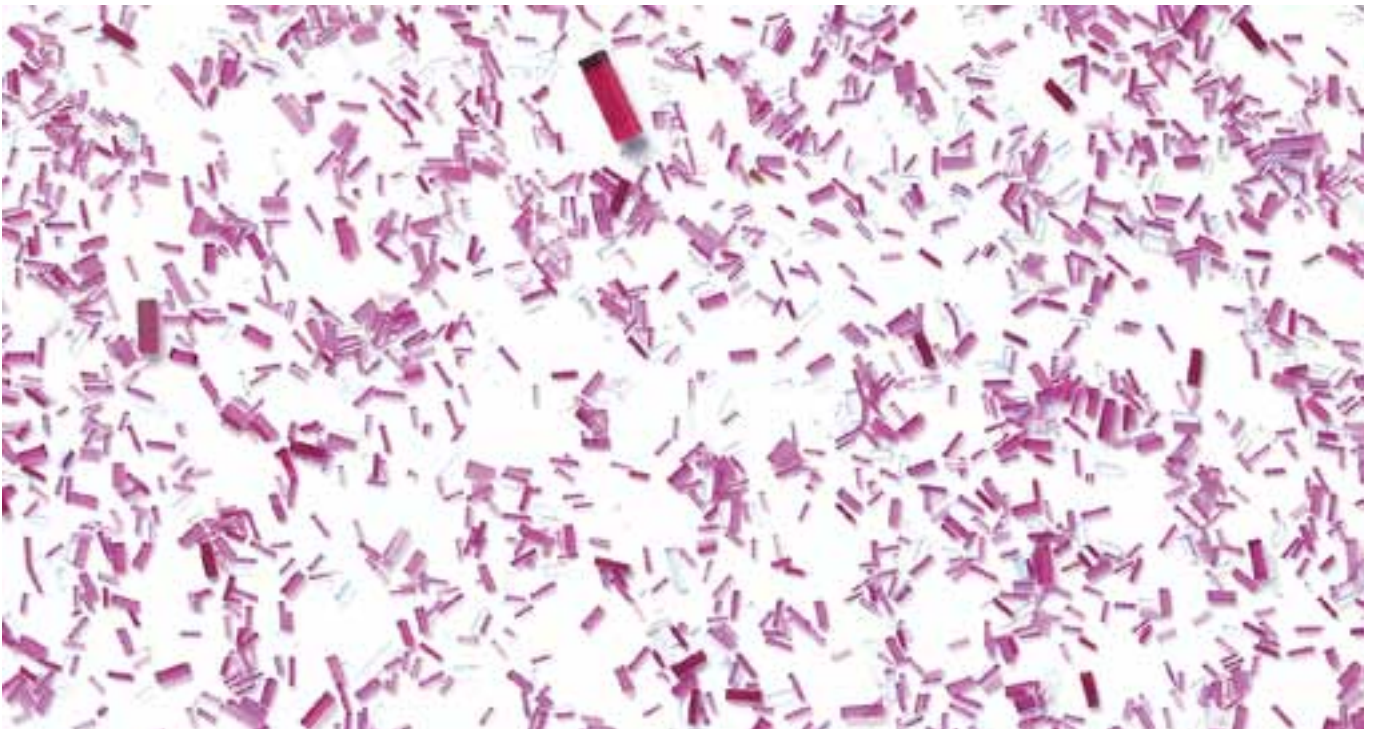
As the Swatch Group center for the purchase of diamonds and gems, **DYB Gems** experienced the significant upturn in the diamond market in 2010. The low level of stocks and the reductions in gem-cutting capacities made by suppliers in 2009, along with the increase in the price of raw materials, created supply problems. Relying on its knowledge of the precious gems market and playing on the synergies between the brands' purchases, DYB Gems enabled its clients to manage these challenges, ensuring a supply flow on the best terms while meeting the highest quality standards.

**DYB Sertissage** reinforced its competencies in the production of watches and high jewelry. Recruitment for development, CAD/CAM construction, CNC machining and finishing of high jewelry models broadened the range of services offered to brands in creating fine watch exterior elements, whether gem-set or not, such as buckles, dials, dial flanges and cufflinks. In response to Swatch Group's needs in terms of artistic crafts, new skills in the area of engraving and carving were integrated and beveling capacities were used for a wider range of products. Investments made in training and R&D in the fall of 2009 helped improve production flexibility and the range of models that can be made using mechanical gem-setting.

**DYB Bijoux** continued to offer its services for the design and development of jewelry. The Crazy Flower collection by Breguet and the Bridal line by Omega, both introduced in 2010, represent the skills mastered by DYB Bijoux, which also continued to work on the Swatch and ck watch & jewelry collections.

Jewelers, polishers and wax-casting specialists at **DYB Manufacture & Casting** offered their services for jewelry combining pleasing aesthetics and technical features, both for jewelry and for watches.

# ELECTRONIC SYSTEMS



## Swatch Group Electronic Systems

An essential part of the Swatch Group strategy to guarantee its autonomy lies in its own capability to develop and mass-produce the components necessary for the production of both mechanical and quartz watches. For electronic watches the key components are ultra-low power consumption, miniaturized and very high precision parts such as integrated circuits, LCD displays, crystal oscillators, real-time clocks and batteries.

In 2010, Swatch Group further refocused the electronic systems business segment on activities which directly support the vertical control of its watch production infrastructure. Some less critical activities could be transferred to more congenial industrial environments, offering better growth potential to them. Assets of Microcomponents Ltd related to stepper motor production for the automotive industry were therefore transferred to a long standing business partner early in the year. In October, Lasag AG, a company specialized in laser products for various industrial markets was sold to a leading manufacturer of high-performance laser-based solutions. Extensions to more watch-centered activities or the development of strategic partnerships to further strengthen Oscilloquartz' position within Swatch Group are being explored.

The strong presence of the three component manufacturing companies outside the watch segment – where they earn the larger part of their revenue – sustains their competitiveness. During the year, they intensified the collaboration between their sales forces and pooled resources on various electronics projects which have in common the need for microcontrollers or other ICs, a crystal oscillator and a power supply. Such projects are managed collaboratively and customers benefited directly from the information exchange between the companies.

This unyielding partnership was further noticeable on the market by the usage of common distributors and sales representatives (e.g. in Germany and the USA) or joint

presence at trade fairs in the Swiss Pavilion at MD&M in Anaheim (USA) and Electronica in Munich.

## EM Microelectronic

[www.emmicroelectronic.com](http://www.emmicroelectronic.com)

In 2010, EM Microelectronic experienced a strong recovery after the downturn of the previous year. Besides the launch of several new customized and standard products, a significant effort was made by the design teams on a number of customized integrated circuit designs to reinforce the long-term revenue growth of the company.

The in-house wafer production ran through the fully-operational eight inch fab. Several products are in production with 0.18  $\mu\text{m}$  low power process which has also been complemented with Flash technology.

During the year, EM Microelectronic installed the necessary infrastructure for the manufacturing of flexible plastic LCD with integrated tactile function. Production has been ramped up and the new high volume production facility, tailored to serve both watchmakers and other commercial applications, is now running 24 hours a day.

After establishing a consistent security framework for the entire function of the company, EM Microelectronic successfully passed the internationally recognized ISO 27001 Information Security Management System (ISMS) Certification conducted by SQS auditors. A second secure design network has been implemented in EM Microelectronic's design center in Prague.

**Watches** The improved economic environment allowed Swatch Group to increase its watch sales across all segments and regions. EM Microelectronic also benefited directly from the extraordinary growth in the electronic watch segment.

**Motion and Optical Sensing** In the motion sensing market, 2010 has seen unrelenting demand and very strong volumes in accelerometer ICs for use in mobile phone platforms. New products for magnetic sensors and pressure sensors were brought to the market during the

"I also look for new and unusual routes to achieve, what on the face of it, are seemingly impossible objectives and products. The physicist can learn to believe in miracles and in Santa Claus – or at least not to rule out entirely the possibility of their existence – despite the lack of encouragement a physicist's technical training may appear to give. This is why physicists have always been and remain my privileged partners in innovation."

**"This is why physicists have always been  
and remain my privileged partners in innovation."**

*Nicolas G. Hayek, Address to economiesuisse, Baden, 2008.*





year and will reach high volumes in 2011. In the long standing segment of optical sensors (computer mice), a next generation product featuring further improvements in battery life and tracking motion recognition was introduced in the market.

**Smartcards and Radio Frequency Identification** With two new smartcard products (TG320/TG360) featuring a 16bit microcontroller and Flash memory for higher flexibility and improved time-to-market, EM Microelectronic is involved in Java Card-compatible smartcards and SIM cards. The Java Card OS provides smartcard manufacturers with a secure and interoperable execution platform that can store and update multiple applications on the same card.

By combining the low power expertise of the smartcard and RFID development teams, EM Microelectronic launched the EM4830, its first dual interface (ISO7816-3 contact and ISO14443 contactless) Flash-memory-based smartcard chip. The product is targeted for multiple application domains (i.e. access control, transportation, e-documents), which the customer determines with its own application software.

As a pioneer and world leading manufacturer of UHF RFID products, EM Microelectronic developed the EM4325, a versatile ISO/IEC 18000-6 and EPC compatible circuit. The chip supports passive or battery-assisted mode for superior reading range and reliability. An integrated temperature sensor with on-demand or self-read capability makes it an ideal product for cold chain surveillance applications. The circuit can also be used as a wireless communication link for advanced RFID tags or remotely configurable assets, thanks to its programmable serial interface.

**RF Communication** In the RF communication segment, EM Microelectronic unveiled the EM9301, a low-energy solution tailored for portable applications. The new circuit is fully compliant with the Bluetooth low energy specification, a hallmark of the Bluetooth Core Specification Version 4.0 adopted by the Bluetooth SIG. This standalone Bluetooth controller – assuring the lowest



power consumption on the market – is optimized for low voltage and low energy systems such as wireless sensors, wireless remote controls and wireless monitoring. Its low-voltage operation enables applications to take advantage of a wide range of common single-cell batteries or of energy harvesters such as solar cells, piezo-electric and electromagnetic elements.

Nicolas G. Hayek and Claude Nicollier in 1996 during a press conference in Biel. Claude Nicollier flew the third of his four spaceflights (STS-75, Space Shuttle Columbia, 1996) wearing a Swatch Access ("Access to Space") equipped with an RFID chip developed and manufactured by EM Microelectronic.





## Renata

[www.renata.com](http://www.renata.com)

Renata, one of the market leaders in the production of watch batteries, can look back on 2010 as a successful year. The company started to produce more environmentally-friendly mercury-free watch batteries and launched its products globally. The customer demand, particularly from manufacturers of quartz watches, was gratifying and working together with them, Renata was able to effect a smooth transition.

This also allowed Renata to benefit from the increasing demand for new quartz movements, especially high quality products from Switzerland, and the turnover in the segment increased significantly.

Similarly rewarding was the fact that the product was successfully introduced in the replacement battery market, further allowing Renata to increase its market share.

In the United States, where mercury-free solutions will be required in several states from mid-2011, the possibility of offering a full product palette has attracted new customers. Parallel to the release of these new products, Renata is engaged globally with battery associations who support the fastest possible ban of the use of mercury in batteries in order to offer additional protection of the environment.

In 2010 Renata invested in the efficiency and quality of the production: new equipment was installed in the area of cathode manufacturing, which considerably improves the efficiency of the use of silver, the most valuable material in the products. These steps ensure the best working conditions for employees in this area.

An improvement in the market situation compared to 2009 was also observed in other areas. The efforts to offer dedicated customer-oriented solutions, especially in niche markets in combination with excellent delivery and consulting, were rewarded.

Renata was able to continue to offer its wide knowledge of integrated solutions to its customers, often

working together with its sister companies from Swatch Group, EM Microelectronic or Micro Crystal.

The usage of Swatch Group's synergies was also reflected by shared presentations at trade shows. Together with ETA and Universo, Renata maintained a presence at the ETA booth during Baselworld; at Electronica in Munich, the booth was shared with EM Microelectronic and Micro Crystal and at MD&M in Anaheim (USA), Renata shared the space with Micro Crystal. As in previous years, Renata was present at the Watch & Clock Exhibition in Hong Kong (China) and the JCK show in Las Vegas (USA) in 2010.

## Micro Crystal

[www.microcrystal.com](http://www.microcrystal.com)

Micro Crystal is the only manufacturer outside Asia to produce low frequency crystals used in the watch industry. Its high-tech production makes Swatch Group the only watch movement producer in the world that is not dependent on Asian quartz crystals. In actual fact, for watches requiring very small quartz crystals, Micro Crystal is the only alternative supplier to the Japanese manufacturers. Despite this essential strategic importance, Micro Crystal currently achieves most of its sales in sectors outside the watch industry. In addition to a broad range of varied applications in the electronics industry, the quartz crystals produced by Micro Crystal are used primarily in telecommunications, consumer electronics, aviation and the medical industry.

In 2010, Micro Crystal once again owed the greater part of its sales to low frequency crystals in small metal or ceramic packages. To maintain its competitiveness and reliability, Micro Crystal constantly launches new products with higher integration levels. The implementation of new and more accurate manufacturing processes making use of photolithography now enables the production of three-dimensional quartz crystals. For integrated products and Real Time Clocks, these extremely small quartz crystals are placed inside small ceramic packages along with the electronic circuits produced by sister company EM Microelectronic. An innovative assembly technology was also implemented in this field in 2010, since conventional assembly using conductive glue was no longer possible. These new products proved a great success in 2010 and were mostly used in high-end smartphones. Another new product based on these technologies was the ceramic package housing both the quartz crystals and all the functions of an electronic watch.

Demand for quartz crystals for consumer electronics – especially for mobile phones – enjoyed a strong recovery in 2010, generating extremely large volumes. Compared with the previous reporting year, production experienced a massive increase. Micro Crystal exceeded all previous



figures to produce over four hundred million quartz crystals. Such volumes could only be achieved by working non-stop in three shifts, seven days per week. Sales also rose in 2010, but not as much as production volumes, due to severe pressure on prices and an unfavorable currency exchange situation.

Despite the competitive environment governing the market, Micro Crystal is confident of its ability to pursue its success in 2011 thanks to new products and judicious use of its capacities.

## Oscilloquartz

[www.oscilloquartz.com](http://www.oscilloquartz.com)

### Consolidation and international expansion

Despite a slight stagnation in turnover mainly due to currency exchange rate fluctuations, Oscilloquartz managed to reinforce its operational efficiency by improving results while reducing stock levels, and thereby confirmed its robust health in a highly competitive environment.

Oscilloquartz continued to strengthen its international leadership position in the field of time-frequency and network synchronization, particularly by redefining sales channels in the United States and opening an office in India. The stagnation in the sales share suffered in Europe was offset by a marked progress in the Asian and Middle Eastern markets.

Wireless activities, particularly in the USA and Japan, confirmed the recovery that consolidated the good position of the recent developments that OSA brought to the market. Intended to service the synchronization requirements of LTE-4G wireless-based stations as well as those of digital broadcasting (DVB), the STAR-GPS and TSAR-GLONASS products were the drivers behind this growth. Thanks to an extension of its international presence in new countries, the traditional SDH activities weathered the economic crisis well, while the Clock and Time-Frequency activity continued its steady progress.



**Transport of information over Ethernet networks – Synchronizing services** 2010 also witnessed the first sales of the PTP systems serving to ensure synchronization to the nearest microsecond through IP networks that are intrinsically asynchronous. This made Oscilloquartz one of the rare companies worldwide able to rise to the challenge represented by offering synchronization solutions other than GPS/GLONASS for wireless networks.

**Future sources** Telecommunications equipment tends increasingly towards sharing fibers between operators and sharing competencies between hardware and embedded software. The applications call for a stable frequency source and small dimensions, with a performance hold over capacity of around one microsecond over several days. The CPT (Coherent Population Trapping) technology designed for the interrogation of the energy levels of caesium atoms, combined with micro-assembly technologies (MEMS = microelectromechanical systems), will serve to achieve the stability of an atomic clock the size of a cigarette pack. Oscilloquartz is involved in a broad-scale European project aimed at realizing this challenge.



## Swiss Timing

[www.swisstiming.com](http://www.swisstiming.com)

2010 was the year that Swiss Timing confirmed its choice of a long-term strategy based on consolidation, extension, and innovation in the pursuit of excellence.

The consolidation refers on the one hand to the success of the Olympic Games – both the Winter Games in Vancouver and the first staging of the Youth Games in Singapore – and on the other hand to the successful timing operations conducted at some of the world's premiere sporting events. Among these were the 14 prestigious athletic meetings of the brand-new Diamond League, European Championships including athletics in Barcelona and swimming in Budapest and Eindhoven, as well as a number of World Championships including swimming in Dubai, artistic gymnastics in Rotterdam, road cycling in Melbourne, men's basketball in Turkey and women's basketball in the Czech Republic. These events, however, were only the tip of the iceberg of Swiss Timing's operations since, in 2010 alone, its technicians were involved in timing several hundred competitions around the world and covering a wide range of sports.

In terms of the extension of its activities, the 2010 reporting year brought three significant developments:

- A heralded return to motor racing under the Blancpain banner for the GT1 races organized by the Fédération Internationale de l'Automobile (FIA) and involving several prestigious makes and models including dream machines such as Maserati, Lamborghini, Aston Martin and Corvettes;

- The company's first participation in the South American Games, the biggest multisport event on the continent, held in Medellin (Colombia);

- The partnership signed between Swatch Group and the SportAccord association of international sports federations in order to support a new concept of annual thematic multisport games for which Swiss Timing is to provide a comprehensive service with a Swatch Group brand appointed as Official Timekeeper. Within the context of this agreement, the first "Combat Games" were held in Beijing in 2010.

Swiss Timing remains in the vanguard of innovation, maintaining its leading position in technological excellence. Examples of the R&D projects in the pipeline include the single timing device – the Quantum – now adapted to a growing number of sports; uniting sports computer databases within a framework concept, and the first iPhone applications.

During the period under review, Swiss Timing also prepared to face the challenges of 2011 which include two simultaneous winter sports events in February with the Asian Winter Games in Kazakhstan and the Winter Universiade in Turkey, a long series of test events as part of the run-up to the 2012 Olympic Games in London and the first World Mind Sports Games in Beijing as well as a number of World Championships and World Cups.

### "Sport communicates emotion."

"It is we who time the Olympic champion to nearest 1/100th or even 1/1000th of a second, it has an amazing impact on people. It is understood by every cleaning lady in Brazil, every worker in China. We should never, under any circumstances, give up our involvement in sports timekeeping."



Nicolas G. Hayek being timed in the 100-meter sprint during the Atlanta Olympics in 1996.

# CORPORATE, BELENOS



THE SWATCH GROUP RECHERCHE ET DÉVELOPPEMENT SA

## Swatch Group Research and Development

The Swatch Group Research and Development Ltd, founded in 2005, comprises the activities of three divisions, Asulab, Moebius (development and production of lubricants for the watch industry) and the CDNP (Center of Development for New Products). In addition to their respective research and development activities, these three entities are also involved in coordinating the technological innovations of the various companies within Swatch Group.

### Asulab

[www.asulab.ch](http://www.asulab.ch)

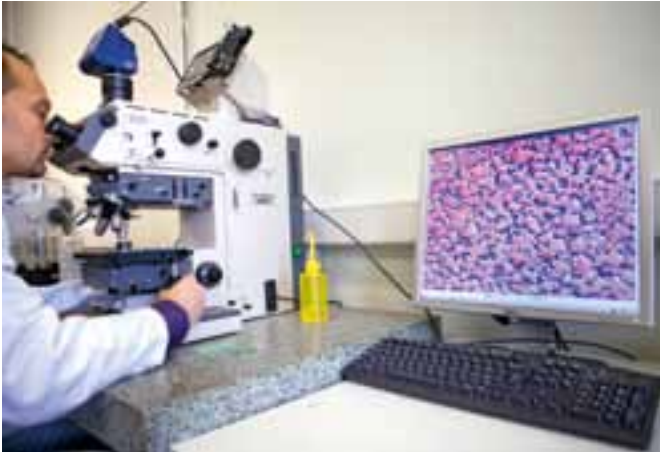
As Swatch Group's corporate research and development laboratory, Asulab's core mission is to design technically innovative watch products, subsystems and components, and to develop the corresponding state-of-the-art manufacturing technologies. To accomplish this mission, Asulab relies on the expertise and experience of its highly qualified staff, and the corresponding specialized technical infrastructure. Close cooperation 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 Institutes of Technology with which 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 2010, Asulab thus worked on over 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 use of new materials yielded very positive results, particularly through the use of metallic glasses both for watch exteriors and for watch functions. A number of other projects relating to electronic systems and components were finalized, thereby paving 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. These new products are developed by combining interdisciplinary skills and technologies such as micro-technology, electro-chemistry, 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 on an industrial scale within sister companies. Several production machines of this kind, which must meet stringent multiple requirements, are being built at Asulab for Swatch Group companies involved in various fields of application. In 2010 Asulab's production machine design department and workshops were able to realize cutting-edge equipment that will enable high-precision and large-volume industrial production of a number of innovative products for Swatch Group.



Helmut Kohl (left), Nicolas G. Hayek (center) and Mougahed Darwish (right) in Biel in 1996, looking at the prototypes of the Swatchmobile propulsion system developed by the Swatch Group research teams.


**CDNP**


## Moebius

Moebius, a company specialized in the production and commercialization of lubricants and epilames, was taken over by Swatch Group in 2008 and incorporated within The Swatch Group Research and Development Ltd.

In 2010, Moebius relocated to the Renata site in Itingen (Basel) in premises compliant with Swatch Group's industrial standards. The production facilities and equipment were modernized to ensure the perpetuity of the manufacturing of these products, which are essential to the watch industry.

## CDNP (Center of Development for New Products)

The CDNP develops many models for the various Swatch Group brands. It has solid experience in watch casing which it can put to work to make the most daring dreams come true and uses its expertise to suggest original solutions and address both technical and esthetic challenges. Problem-solving also benefits from close cooperation between the Swatch Group's R&D units and production centers.

The CDNP's developments become reality thanks to ultra-modern manufacturing resources. Consequently, the quality of the finished prototypes is impeccable, regardless of the material used. Production equipment has also been designed using CNC machines linked to a top-quality CAD network. A secure CNC manufacturing center is dedicated to handling precious metal work. The Swatch Group brands continue to favor the creation of mock-ups and models made of synthetic resins by rapid prototyping as an aesthetic approach. The "3-D printer" used in this context can also make straps of soft polyamide. Prototype rubber bracelets of various colors can be made using a polymer casting facility.

Educational films were made in 2010 using computer graphics and animation of computer-generated images (CGI) to illustrate various functions of watch movements and operating instructions, and to showcase new designs. This type of activity also made it possible to continue creating setup plans and realistic renderings for future boutiques, especially for Swatch and Certina. A new software for creating real-time CGI was also implemented. This tool, which instantaneously displays multiple design variants, is a valuable decision-making tool for the brands' product managers. Several movements were also redesigned in 2010.

"Entrepreneurs must not adopt a strategy of fast or, worse still, immediate profit maximization but must have their sights set on long-term, future-oriented sustainable development, such as investing in training and education, research, development and production, even if this means a narrower profit margin in the short term."

*Nicolas G. Hayek, Address to economiesuisse, Baden, 2008.*



Nick Hayek



Josef Ackermann



Nayla Hayek



George Clooney

The development and updating of criteria and technical specifications for watch case-making under the ISO and NIHS standards continued in 2010. This work, in cooperation with all Swatch Group quality departments and component manufacturers, should help make these standards available on the Intranet early in 2011.

Additionally, the CDNP's Packaging Department advises the brands on all aspects of product packaging, using both ecological and economic criteria.

Finally, new materials and novel technologies are arising from the research born of the close ties between Asulab and the CDNP, which also cooperates with several of the Swatch Group's production companies to test and evaluate future production technologies. The filing of several patents in 2010 further bolstered the CDNP's substantial portfolio in its preferred area of business, watch casing.

## Belenos Clean Power

For Belenos Clean Power, 2010 was marked by the passing of Nicolas G. Hayek, who created Belenos and gathered the key partners to research ways of harnessing solar power and developing environmentally-friendly power trains. Progress was made in several technological areas, and the members of the board, now led by Nick Hayek, are dedicated to pursuing Nicolas G. Hayek's vision by developing a complete energy chain for clean mobility powered by solar energy.

The overall progress achieved during the year already allows the Belenos teams to work toward the realization of a demonstration installation of the whole energy production and consumption chain. This crucial phase will allow the first real-life tests of key components.

An innovative fuel cell system able to deliver a nominal power of 25kW was realized at the Paul Scherrer Institute and won the Watt d'Or 2011 awarded by the Swiss Federal Office of Energy. Several key ideas aimed at reducing the assembly costs during future mass production of the cells have been put into practice. All system components relevant for the exploitation of the fuel cell stack have been assembled and optimized for various operational conditions.

"The Mediterranean, the North, the East or the West... all this seems too narrow. As I said, I never forget that we are on a tiny planet called Earth – even if each of us is always trying to find out why the 'ant' that he is differs from the other 'ants'. I can't just sit there and enjoy the oxygen of this land, the highways that allow me to drive fast, my car that was built by great people... without making my small contribution to improving this world. And this need I feel is real and deep, it's a need that comes from the heart."



Nicolas G. Hayek, *Au-delà de la saga Swatch  
(Beyond the Swatch Saga).*

Solar energy, a theme that always interested Nicolas G. Hayek.

**I • C • B**  
INGENIEURS CONSEILS EN BREVETS



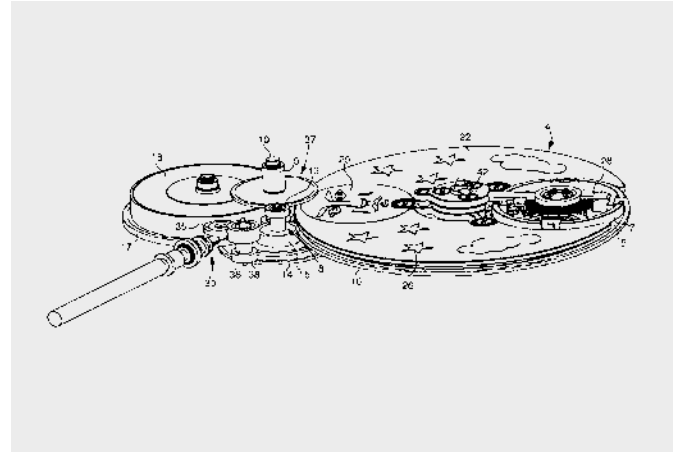
Ralph Eichler



Philippe Viridis



Claude Nicollier



From the original intent to concentrate on the improvement of solar cell efficiency, the team's efforts have been refocused on optimized design of roof-integrated photovoltaic panels and the development of high efficiency control electronics.

On the "container" side, several patents have been filed related to the fundamental research program for an innovative approach to storing solar energy.

Finally, since April of 2010, Belenos has led a project it initiated in 2009: the GreenPower project operates within the Swiss national research Program "Nano-Tera", in partnership with the Swiss Federal Institute of Technology Lausanne (EPFL), the Centre Suisse d'Electronique et de Microtechnique (CSEM) and the Paul Scherrer Institute (PSI). It is aimed at accelerating the development of Swiss technologies requiring major research and development efforts for hydrogen storage vessels (with EPFL), a hydrogen control system (with CSEM) and a fuel-cell membrane (with PSI) under the supervision of Belenos Clean Power.

## ICB

The essential missions of ICB Ingénieurs Conseils en Brevets SA are the protection of Swatch Group's technical innovations, the valorization of acquired technological know-how, market intelligence and the fight against counterfeits.

In 2010 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 progressed strongly in comparison with 2009. This achievement is the result of an efficient synergy maintained between the teams of engineers and researchers of all the different Swatch Group companies. During the 2010 reporting year, this collaboration was particularly important in Swatch Group watchmaking activities, while the level of activity also remained extremely high in Swatch Group's non-watchmaking fields.

Major efforts were made to support Swatch Group brands in their strategy to penetrate international markets. With this in mind, financial investments to obtain protection for 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 2010, ICB's management board maintained its financial strategy of controlling functioning costs and stabilizing operational costs relative to the maintenance and acquisition of patent rights. This meant that ICB's yearly financial results were in line with its budget forecast.





## Swatch Group Quality Management

The mission of Swatch Group Quality Management (SGQM) is to define the quality-assurance and safety requirements for products put on the market. The objective is to ensure that products comply with the law by providing the necessary information to Swatch Group companies that will allow them to manage their production and manufacturing processes independently. SGQM's services make use of specific expertise and are based on a horizontal approach to its business activities.

### Laws Concerning Substances

The increasing number of regulations related to chemical substances represents a technical and logistical challenge for Swatch Group and its supply chain. To ensure that products always remain safe, SGQM uses the following systematic approach: it monitors laws on chemical substances, analyzes product-related risks, updates technical specifications for materials and components, selects and adapts procedures for approval testing, informs Swatch Group companies of requirements, and performs tests and audits of supplier processes and products.

The main laws that required specific action from SGQM in 2010 are as follows:

- REACH CE 1907/2006 regulation: mentions 16 new hazardous chemical substances;
- Lacey Act USA, FCEA 2008: declaration of wood species imported into the USA;
- ATCM California: certification of composite wood production sites for formaldehyde HCHO;
- CPSIA USA: reduction in level of lead impurities in accessible parts of products intended for children;
- Prohibition of button batteries containing mercury in the states of Connecticut, Maine and Rhode Island (USA);
- Directive 2002/95/CE, RoHS: preparation for additional requirements.

### Continued Improvement

**Batteries** Based on in-depth analyses, the details of ISO 12819 were clarified and expanded. The autonomy of Swatch Group's quartz watches was more clearly defined for the clientele's benefit.

**Water-Tightness** A technical study led to a "Water-Resistance" manual describing the physical phenomena associated with exhibiting watches in an aquatic environment. Practical tests confirmed the working hypotheses. The knowledge gained will be used in the future.

**Exotic Leathers** The use of exotic leathers for strap manufacture was reviewed, in cooperation with the Swiss Federal Veterinary Office. Animal husbandry conditions for alligators were verified in Florida, Georgia

and Louisiana by a specialist team, accompanied by the responsible US authorities.

### Quality Assurance

Many supplier audits were done using the SGQM reference system, in particular with regard to the selection of supply sources according to the criteria for Swatch Group companies. Various outside laboratories were audited and selected based on their ability to perform chemical analyses meeting the requirements that had been set. Technical specifications for wooden objects, packaging, and products intended for children were also updated. Finally, cooperation with Swatch Group Customer Service was enhanced to ensure that high-quality information would be provided to the clientele and to optimize product improvements.

## Swatch Group Distribution

**European Distribution Center (EDC)** Thanks to the recovering economy, the European Distribution Center shipped more products to its customers in Switzerland and Europe in 2010 than in 2009. The continuous focus on cost reduction in 2010 resulted in a double-digit reduction of transportation cost per product, as well as a reduction of internal handling costs of the products shipped. Intense discussions with all countries integrated in the EDC which were aimed at achieving more efficient use of this distribution tool led to consolidating as many shipments as possible while maintaining or enhancing customer satisfaction. Additionally, warehouse productivity was once again increased.

A tool to better manage products where demand exceeded supply was successfully introduced and all brands in all countries were trained to use it. The Tiffany & Co. watches now benefit from EDC services in some countries and others will follow shortly. The integration of more products and markets into the EDC is under development.

**Swatch Group Logistics (SGL)** Swatch Group Logistics continued to collaborate actively with the brands and subsidiaries to optimize the goods and information flow between the different actors of the worldwide supply chain. These rationalization projects are aimed at generating profit increases by achieving better control of the sales forecasting process rendered possible by higher product availability on the markets on the one hand, and on the other by optimizing the worldwide inventory level. Within this context, two major projects are currently under way: the implementation of a "state-of-the-art" forecasting and replenishment system at Swatch Group Japan for Omega, Longines, Tissot and Swatch and a pilot project being conducted with Swatch and intended for its boutiques in France and the USA. The resulting logistics best practices will subsequently be rolled out to all subsidiaries and brands.



**Swatch Group Distribution IT** The Distribution IT unit started the year 2010 with the successful integration of Swatch Group South Africa into its information technology platform. In parallel with this first implementation on the African continent, Distribution IT has started a major integration project in collaboration with Swatch Group Hong Kong and Swatch Group Macau. In Europe, Swatch Group Poland was upgraded with the newest version of the customer service application. The subsidiary therefore now benefits from enhanced functionalities and improved communication tools designed to facilitate communications to customers through e-mails and text messages. Finally, a pilot project jointly undertaken by Omega and Distribution IT has given rise to a new application that enables the brand's customers to check the status of serviced watches by means of real-time data available on the internet. This application is already implemented in some key European markets and is currently being rolled out in all countries integrated on the Distribution IT platform.

## Swatch Group Corporate Customer Service

The expansion of the Swatch Group Customer Service activities continued in a most encouraging manner and the success of Swatch Group has been reflected in the steadily increasing number of services being handled.

Various improvement measures were undertaken in 2010 in the Customer Service Centers. The workshops in Hong Kong and in Australia were extended and a new setup was completed at Customer Service Taiwan. To further promote Omega's outstanding development in China, the brand set up a dedicated workshop. Particular measures were taken in the United Kingdom and in Italy, while the Service Center in Warsaw, Poland relocated to its new premises and adopted a new IT tool.

Retailers and end customers from Europe, the United States, Japan and China now have the possibility,

via the Customer Information System Internet platform, to keep track in real time of the progress of work being done on their timepieces sent to one of the Customer Service Centers. Furthermore, a new pilot tool (CS Cockpit) allows customer service managers to supervise the status of ongoing services in detail and thus achieve significant time savings on these activities.

With the aim of intensifying the collaboration between Swatch Group brands and the service centers, a strategic decision was taken to implement selective spare parts distribution based on defining specific criteria regarding both equipment and know-how.

An educational and career opportunities management concept based on the Watchmaking Skills Matrix is currently being implemented. Not only will this tool serve to continue strengthening watchmakers' know-how and to discover talented staff who will be able to serve our customers in the best and most efficient way, it will also offer our employees rewarding development opportunities.

Still in the field of education, an Internet site was created with the aim of promoting the activities of the Nicolas G. Hayek Watchmaking Schools, and of identifying the candidates most likely to become the next generation of highly qualified watchmakers.

## Swatch Group Immeubles

**Rental Sector** During the 2010 reporting year, Swatch Group Immeubles' rental sector was again very active in managing a significant rental base of over 6600 rental properties distributed among 400 buildings, primarily in the cantons of Bern, Neuchâtel, Solothurn, Vaud and Jura. The company also administers 32 lots, 6 farms and 12 forests. The real estate managed by Swatch Group Immeubles belongs mainly to the Swatch Group pension fund, Fondation de Ebauches SA, and other employer pension funds or affiliated companies.

In 2010, special attention was again given to modifications and renovations of apartments and buildings, in order to maintain the value of the housing stock for the owners. Appraisals were also done regularly in support of selling or acquiring objects. Here, too, Swatch Group Immeubles is putting its twenty years of experience to work to benefit its clients.

**Industrial and Retail Sector** For the Swatch Group Immeubles industrial and retail sector, 2010 was marked by sustained activity in Switzerland and among affiliates abroad.

The process of modernizing and refurbishing real estate properties and improving infrastructure, which began several years ago, successfully continued for various companies such as Longines in St-Imier (Bern), Nivarox in Fontaines (Neuchâtel), Tissot in Le Locle (Neuchâtel), Universo in La Chaux-de-Fonds (Neuchâtel), ck watch & jewelry in Biel (Bern), and many other companies within Swatch Group. This work also fell within the context of a policy of improving workplace safety, optimizing and verticalizing production flows, enhancing technical infrastructure to improve production quality and – with an eye to sustainable development – decreasing fossil-fuel and electrical-power consumption.

In June 2010, Jaquet Droz transferred its activities to its new production factory located in Crêt-du-Loche (Neuchâtel). A truly worthy setting, this building has enabled the brand to bring all of its trades together under one roof,



thereby giving it substantial growth potential. At the Tissot site in Le Locle, construction of a completely automated logistics warehouse began in August 2010, with complete renovation of the adjoining areas. This ambitious project will be completed during 2011. Many industrial building projects, as well as housing projects for the Swatch Group pension fund, are at an advanced planning stage.

Outside of Switzerland, we should note the very close collaboration of Swatch Group Immeubles' departments in the expansion and relocation of Swatch Group Poland in Warsaw, Swatch Group Taiwan in Taipei, Swatch Group South Africa in Johannesburg, and Swatch Group Australia in Melbourne. The reorganization project in Melbourne began in August 2010. Swatch Group Immeubles also undertook consulting activities in various subsidiaries and, as every year, coordinated participation by Swatch Group's various brands at Baselworld 2010.

Finally, Swatch Group Immeubles specialists very actively contributed to the development and renewal of the boutique network for the most prestigious brands: Breguet in Dubai, New York, Shenzhen, Shanghai, Singapore and Zurich; Blancpain in Shanghai; Jaquet Droz in Hong Kong and Macao; Omega in Cannes, Geneva, Rome and Shanghai; Tissot in Paris; and Tourbillon in Geneva, Los Angeles and Shanghai.



Nicolas G. Hayek was a great builder. Here with Nick Hayek, in 2001, as the foundation stone is laid for an extension of Nouvelle Lemania, future Manufacture Breguet.

NGH

# SWATCH GROUP IN THE WORLD





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## Swiss market (1)

The Swatch Group brands enjoyed an excellent reporting year in 2010 on the Swiss market, supported by a large number of events.

Breguet inaugurated a boutique in Zurich, including a museum and an interactive media area to immerse visitors into the secret world of its workshops. The notebooks of original manuscripts by A.-L. Breguet, acquired by Nicolas G. Hayek during a recent auction, were presented on this occasion. The 200th anniversary of the first Breguet wristwatch ordered by the Queen of Naples was duly celebrated by an exhibition in Breguet's Geneva boutique. In addition to serving as main sponsor of the Luzern Festival im Sommer, the brand also renewed its support to the Geneva International Music Competition. Blancpain enjoyed a record year, with the Fifty Fathoms and Villeret collections spearheading its success, and experiencing development on the Swiss market comparable to that achieved worldwide. Glashütte Original made a strong impression at Baselworld in presenting its Senator Diary, the first alarm watch whose alarm can be set 30 days ahead. Jaquet Droz took part in The Watches Days exhibition and presented its new releases at VIP evenings, enabling attendees to discover the skills involved in making these models. In 2010, Léon Hatot's watch and jewelry collections continued to grace the showcases of the Tourbillon boutiques in Switzerland.

Omega was highly visible throughout the year, particularly through presentations of the Co-Axial models and various exhibitions intended for retailers. On a sporting level, the most noteworthy events were the bobsleigh competitions in St. Moritz, the Zurich and Lausanne athletics meets, and the Omega European Masters golf tournament

in Crans-Montana. Omega invited its retailers and clients to the airfield in Payerne to watch the Solar Impulse prototype airplane in flight. At Baselworld 2010, Tiffany & Co. presented its creations enriching the first collection unveiled in 2009, and treated visitors to a special break at its Breakfast at Tiffany's café.

As keenly involved as ever in equestrian events, Longines was once again present in St. Gallen as official timekeeper for the CSIO Switzerland, and presented a traveling exhibition there featuring the various column-wheel chronographs created in the course of its history. The brand also took part in the major Swiss events of the Alpine skiing season in Adelboden, Wengen, Crans-Montana and St. Moritz. Rado launched successful white versions of its Ceramica and Rado True, as well as the new Centrix. The brand also created a stir with a gigantic visual on a building in Zurich city center and by organizing an exhibition at the Cité du Temps in Geneva as part of the Design Preis Schweiz of which Rado is the main sponsor.

Tissot strengthened its image by becoming the exclusive watch partner of the Jungfrau Railways Centenary. This partnership inspired a collection of eight Tissot Jungfrau watches and a special Tissot train was inaugurated in a press event attended by the motorcycle racer and brand ambassador Tom Lüthi. In 2010, ck watch & jewelry achieved a significant increase in sales. The ck glam watch was a hit on all markets and also enjoyed considerable success in Switzerland, where the brand managed to increase its market share and enhance its visibility, notably by sponsoring the Elite Model Look Contest organized in Zurich. Balmain once again teamed up with the Miss Switzerland competition that was won in 2010 by Kerstin Cook who will help promote the brand during the year of her reign.



Martina Hingis and Nicolas G. Hayek facing the Swiss press in 1997.



Samuel Schmid, Nicolas G. Hayek, Joseph Deiss and his wife Elizabeth in Lugano in 2006 at the festivities organized for the 333 millionth Swatch.



Promotional operations with a BMW Sauber F1 Team car and a watch exhibition drew visitors into the dynamic world of Certina. Mido achieved excellent sales results to which tourism, especially from Asia, made a significant contribution. Hamilton was associated with the Swiss National Aerobatics Championships organized for the 100th anniversary of Swiss aviation, and also regularly created a buzz when a plane bearing its logo “landed” in the hall of Basel railway station or on the roof of various points of sale. Brand ambassador Nicolas Ivanoff also impressed visitors to the Zürifest with his aerobatics. On the movie scene, Hamilton made an appearance in the Swiss film *Liebling, lass' uns scheiden* (*Darling, let's divorce*).

Swatch launched its Colour Codes collection at the Verbier Xtreme event and its New Gent collection at a fashion runway show in Bern. The brand took part in the Sneakerness in Zurich with an exhibition of vintage watches, as well as in the Blue Balls festival in Lucerne with “art battles”. These live creative performances could be viewed on Swatch MTV Playground, along with those organized during ArtYouBasel. The presentation of the Swatch Diaphane One took place in Geneva, while Zurich welcomed the first Swatch shop-in-shop in Switzerland, and Zermatt the first boutique to be renovated according to the Ice Dunes concept. Flik Flak continues to appeal to Swiss children and enjoyed a 2010 reporting year reflecting the brand's international success.

## Swatch Group **Germany** (2)

Swatch Group Germany can look back on an excellent year with double-digit growth. Its mono-brand stores prospered and others are scheduled to open soon at prime locations.

Breguet had an outstanding year; clients were invited to Paris to follow in its historic footsteps. The Lamborghini Blancpain Super Trofeo's debut at Hockenheim Ring was a huge success. An exclusive Marine Chronometer Set was introduced to the press by Glashütte Original at Dresden's Transport Museum. Tiffany & Co.'s watch distribution network continued to grow; Jaquet Droz entered Germany. Omega's strong market presence was highlighted by a Co-Axial technology exhibition at the KaDeWe in Berlin. Longines delivered sensational results thanks to selective distribution and Rado strengthened its presence with five new shop-in-shops. Union Glashütte's profile was enhanced by its partnership with the Saxony Classic Oldtimer Rally.

Official Partner Tissot timed the Ice Hockey World Championships and maintained a high public profile all year through innovative marketing. ck watch & jewelry increased market share and improved its distribution, adding a shop-in-shop at Christ in Berlin. Hamilton was the official sponsor of “Tannkosh”, Europe's largest fly-in, while Certina celebrated the launch of the DS Rookie by inviting guests to a kart center. Mido improved its results significantly for the fifth year in a row. Swatch's performance was anchored by creative marketing around the launch of its new collections. Participation in the International Mascot Rally in Karlsruhe supported Flik Flak's successful year.



Nicolas G. Hayek, Nicole Kidman and Stephen Urquhart inaugurating the Omega boutique in Geneva in 2006.



Nicolas G. Hayek in 2008: “Go Switzerland! Hopp Schwiz!”



Helmut Kohl and Nicolas G. Hayek in 1995 in Biel.



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## Swatch Group **Austria** (3)

Swatch Group Austria enjoyed an extremely successful year 2010, with each of its brands achieving record results. The Breguet boutique contributed to this remarkable development, particularly thanks to the brand's new models. The Tourbillon boutique in Kitzbühel increasingly focused on events held in the boutique itself and in the finest hotels. Glashütte Original launched its PanoMaticCounter XL model at a press breakfast and held a number of presentations at retailers. At the start of the year, Omega placed the emphasis firmly on the Olympic Games, and then in October on the Co-Axial escapement. Longines earned valuable market share, organized an event called "Les Élégantes" and created a number of special decorative concepts. Rado presented the Rado Young Design Prize 2011 offering youthful designers a chance to create their projects in the Rado Boutique. Union Glashütte strengthened its retail network and focused on events intended for customers. In the spring, Tissot launched the Sailing Touch and invited journalists to take part in a regatta in which the various watch functions were presented. The brand also asserted its presence in May and November thanks to a wide-scale billboard campaign throughout Austria. The 2010 new releases from ck watch & jewelry were unveiled at an event uniting handpicked journalists and jewelers. The brand also partnered the Elite Model Look Contests. Certina increased its turnover thanks to high-impact publicity-generating events organized in conjunction with retailers. In summer, Swatch was once again in the spotlight at the major sports event represented by the Swatch FIVB Beach Volleyball World Tour in Klagenfurt. Both the attendance and the media coverage of the Swatch Snow Mobile

event at Saalbach/Hinterglemm substantially exceeded expectations. Flik Flak celebrated the launch of its new Barbie and Spiderman collections with an event well attended by journalists, well-known personalities and their children.



Nicolas G. Hayek, accompanied by his wife Marianne, receives the distinction "Grosse Ehrenzeichen mit Stern der Republik Österreich" from Dr. Martin Bartenstein in Vienna on November 19, 2002.



## Swatch Group **Belgium** (4)

Swatch Group Belgium enjoyed an excellent year in 2010, with general progress for the brands in all segments, resulting in record-breaking results.

Breguet achieved its best ever year to date and took part in several prestigious events including the Millionaire Fair in Antwerp. The not-to-be-missed Blancpain Super Trofeo races at Spa Francorchamps aroused great enthusiasm among customers. 2010 also saw the arrival of the Jaquet Droz brand and Tiffany and Co. watch products which are now represented in prestigious locations in Brussels and Antwerp. Omega experienced an exceptional year with the launch of the New Constellation at the Palais des Colonies in Tervuren and its presence at the Millionaire Fair in Antwerp and at the Mémorial Van Damme. Longines achieved excellent performance and participated in several events dedicated to elegance. Rado reinforced its brand image with its new Centrix line and the Ceramica White models that were greatly appreciated by the public. Hamilton continued the development of its distribution in Belgium. Confirming its high-profile position, Tissot achieved its best results and focused on its merchandising. Certina also enjoyed a record year with double-digit growth. Balmain consolidated its exclusive positioning with the Balmainia Chrono ladies' collection. Dynamic merchandising enabled ck watch & jewelry to pursue its progress. The series of events organized around the Colour Codes collection enabled Swatch to create a sense of eager anticipation among journalists and consumers impatient to rediscover the brand's DNA. The new licensing agreements signed by Flik Flak enabled it to reinforce its status as the favorite children's watch.

## Swatch Group **Netherlands** (5)

In a challenging economic environment, Swatch Group Netherlands maintained its strong position within the Dutch market. Omega enhanced its status in the prestige segment with a clear and consistent approach to the market based on its international strategy. Longines also continued its growth in 2010. Partnerships highlighting key brand values included the Longines Prize for Elegance at the 42nd Artistic Gymnastics World Championships 2010, the Longines Grand Prix at CHIO in Rotterdam, the Rado Young Designer Award, the MotoGP in Assen for Tissot and the Swatch FIVB Beach Volleyball World Tour. ck watch & jewelry concentrated on its distribution network with a tailor-made window campaign offering quality visibility to the brand. Balmain's new collection attracted new aficionados. Hamilton's distribution network was solidified with two of the biggest chain stores in the Netherlands while an event organized by Certina exposed retailers to the fourth quarter's new products.

## Swatch Group **Luxemburg**

In 2010 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 Luxembourg 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 Luxembourg as a world financial center allows the company, domiciled in the center of Europe, to act as a hub within Swatch Group's technical and financial structure. Based in Luxembourg, it is part of the global financial organization of The Swatch Group Ltd.





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## Swatch Group France (6)

Swatch Group France focused on its boutiques with eight new openings in 2010. Blancpain established itself on the Place Vendôme in Paris, a powerful symbol for the brand that celebrated its 275th anniversary by devoting an exhibition to its Fifty Fathoms line. Glashütte Original opened its first European boutique on the Rue du Faubourg Saint-Honoré. Mark A. Hayek opened the first Parisian Jaquet Droz boutique at Rue de la Paix no. 8 – the brand's lucky number. Swatch Group reinforced its partnership with the Printemps department store by opening a Blancpain corner and a Glashütte corner, as well as an Omega boutique on the Luxury floor and an Omega special events boutique on the ground floor of the store. Omega launched its new Ladymatic line at a grand Parisian evening held in its boutique on the Champs-Élysées. Tissot also inaugurated a store on the famous avenue, just before playing its role as official timekeeper of the World Fencing Championship that took place in the Grand Palais.

The other brands also pursued a wealth of activities in 2010. To mark the 100th anniversary of the French Fleet Air Arm, Breguet established a partnership with the National Navy Museum by funding a dedicated "Aéronavale" room. Tiffany Watch & Co. partnered the Championship of Arabian Horses of the Mediterranean and Arab countries in Menton. Longines confirmed its commitment to tennis as official timekeeper of the French Open in Roland Garros for the next three years. At the close of the 2010 tournament, the brand hosted 400 guests at a dinner at the Rodin Museum. Rado took an innovative approach by inviting French women to take part in a web competition to win a watch. Hamilton developed its involvement in the movie

world by signing a two-year partnership with the "Romy Schneider and Patrick Dewaere Prize" which annually rewards new talents. The Saut du Loup designer restaurant was the scene of the launch of the new Black line by ck watch & jewelry. Swatch presented a preview of its Colour Code collection at Colette's, the Parisian fashion temple, where this return to roots received an enthusiastic reception. Flik Flak arrived in Barbie garb to inaugurate the "Barbie" room at the Plaza Athénée hotel.

## Swatch Group Spain (7)

In a difficult year for the Spanish economy, Swatch Group further enhanced its reputation for credibility and reliability with consistency in its sales, marketing and distribution strategies. All its brands gained market share. 2010 was an important year for consolidating the values of the brands in Spain. Breguet reinforced its leadership role with high-profile events. Blancpain welcomed journalists to its boutique and to the Lamborghini Blancpain SuperTrofeo series. Glashütte Original put its focus on the distribution of its outstanding new products. The entry of Tiffany & Co.'s watches into the market was a great success. Omega was very active with sporting events including the European Athletic Championship; the launch of the Ladymatic generated extensive coverage. Longines again sponsored the CSIO in Barcelona. Rado's design focus was underscored by its sponsorship of Spain's most important design award, organized by *AD* magazine. Tissot consolidated its position as timekeeper of the MotoGP, with four events hosted in Spain. Hamilton had a dynamic year with its continuous cinema presence. Certina communicated its collaboration



**"I was particularly touched to receive the cross of the Legion of Honour because the French recognised that a non-French person had done something for Europe and for France."**

*Nicolas G. Hayek, Au-delà de la saga Swatch (Beyond the Swatch Saga).*

Nicolas G. Hayek speaking with Jacques Chirac in 1994 in Biel of the project that would become the Smart car.



with the Spanish F1 driver Pedro de la Rosa. ck watch & jewelry presented its products to the media in different showrooms. The launch of the Swatch Colour Codes and New Gent collections were warmly received by media, retailers and customers. Flik Flak celebrated back-to-school days for journalists' children; it also announced its collaboration with Imaginarium chain toy stores.

## Swatch Group **Italy** (8)

Swatch Group Italy enjoyed double-digit growth in 2010, with special focus on reinforcing the quality of its distribution network and the excellence of its after-sales service.

In October, Breguet was the main partner of Accademia Nazionale di Santa Cecilia's season-opening concert in Rome. Gianluca Genoni, wearing his Blancpain 500 Fathoms, set a world record with his 152-metre "free dive". Glashütte Original continued to grow thanks to its new models. Jaquet Droz' growth in the luxury segment was celebrated with a rich program of events and special windows. It was a record year for Omega which inaugurated its second boutique in Italy in Via dei Condotti in Rome. Tiffany & Co.'s watch products entered the market impressively with a presence in twenty top Italian retailers.

Longines launched the DolceVita collection in Rome and introduced Elegance Ambassador, Kate Winslet. Rado's visibility and brand awareness were raised through events as well as displays at retailers.

Tissot's year was marked by road shows and local events. Its innovative spirit was expressed with "Augmented Reality". ck watch & jewelry increased its market

share through qualitative communication at retailers and its successful collections. Hamilton sponsored the 50th Anniversary of the Italian Air Force aerobatic team Freccie Tricolori, a huge national event, thereby strengthening its link with aviation tradition.

Swatch's excellent year featured the successful launches of the Colour Codes and the New Gent collections. Flik Flak continued to increase its market share and brand awareness with new licensing products and its bold presence in the Aquafan Park.

## Swatch Group **United Kingdom** (9)

Swatch Group United Kingdom continued to move from strength to strength, reporting solid double-digit growth and sustaining a strong position across all brands.

Breguet presented an exclusive showcase of key pieces at Harrods, highlighting its rich history and craftsmanship. Exciting its existing clientele as well as its new customers, the brand secured a record number of sales in a single month. Blancpain continued to grow throughout the year, extending distribution and increasing sales among existing retailers. In another busy year, Omega opened the largest London boutique on prestigious Regent Street and another in Manchester, the first UK boutique outside of London. George Daniels was guest of honour at the Omega Vintage Summer Party celebrating the achievement of Co-Axial. The distribution of Tiffany & Co.'s watches was extended to other retailers, accentuating the brand's success.

Carrying on its equestrian legacy, the Longines Royal International Horse Show took place at Hickstead for



Nicolas G. Hayek and Swatch on the façade of Beaubourg Museum in 1998 and 1999: "You are our museum too."



Nicolas G. Hayek in Venice in 2009 at the launch of the Swatch CreArt collection.



the ninth consecutive year and ambassador Chi Ling Lin brought glamour to Royal Ascot where the brand was again official timekeeper. Rado maintained consistent growth increasing the number of key accounts and highlighted the brand's design heritage through its partnership with Jasper Morrison, resulting in excellent coverage and gaining respect from London's creative set.

Tissot continued to gain market share, focusing on improving key points of sale and realigning distribution. As the first brand to use augmented reality technology, it attracted a new audience with its use of creative marketing. ck watch & jewelry significantly increased sales in the second part of 2010 thanks to its high-end diamond pieces and presented the new 2011 collections in its annual showcase to journalists from leading media. Hamilton extended its retail portfolio and gained a new audience as the 'Official Watch' of celebrated London rugby club, Harlequins.

In an exciting year, Swatch secured prime retail locations throughout the UK, with further expansion planned for 2011. The UK was selected as host market for the international launch of the Swatch and Art collection organized for London's art and style leaders. Flik Flak partnered with Fun Kids Radio in helping youngsters to tell the time and continued to hold its place as the UK's leading watch brand for children.

## Swatch Group Ireland (10)

Swatch Group Ireland had a positive trading year despite a troubled domestic economy. This trend was experienced across all brand categories, demonstrating Swatch Group's strength. Market share greatly increased as brands outperformed the market. Travel retail distribution was strengthened with the opening in November of the Hour Passion store in Dublin Airport Terminal 2 supported by Tech Airport.

Breguet was introduced to Ireland in October with the first retailer located in one of Ireland's main shopping districts, Dublin's prestigious Grafton Street, creating the opportunity to compete in the segment of high complications. Omega achieved excellent results as it continued to gain market share. Longines reaffirmed its commitment to sport by serving for the fourth year as Official Timekeeper to the prestigious CSIO Dublin Horse Show in August. Swatch launched the New Gent collection at the Dublin Grafton street store attended by Ireland's key fashionistas.

## Swatch Group Nordic

Swatch Group Nordic **Denmark** (11) enjoyed a banner year in 2010. Omega, Longines and Swatch exceeded their sales forecast beyond all expectations. The launch of the exquisite re-designed Omega Constellation, the beautiful Longines PrimaLuna ladies collection, and the Swatch Colour Codes collection underscored the strength of the brands and the variety of the watches offered to the Danish consumer. Through collaboration with the best retailers and their strong involvement, Rado, Tissot, ck watch & jewelry and Certina managed to gain market share in their segments. An important highlight for the Danish subsidiary was Tissot's presence at the UCI Track World Championship in March at the Ballerup Super Arena just outside Copenhagen. It was a great success in terms of the number of spectators, and it highlighted the brand's involvement in international sport bicycling, which is highly valued by Danish consumers.

Swatch Group Nordic **Finland's** recovery from the economic turmoil was driven by its strong brands. The re-designed Omega Constellation enjoyed continued success. New launches enhanced awareness of Rado; Longines was again the Official Timekeeper of the FIS Alpine Skiing World Cup in Levi. Tissot introduced the PR100 and Lovely product families while ck watch & jewelry gained market share with new products. Certina's expanding market role was anchored by the DS Podium collection, the face-lifted DS Spel and DS First Lady Ceramic. Swatch maintained its high profile at the Swatch FIVB Beach Volleyball World Tour.

Swatch Group Nordic **Norway** again experienced positive growth. Swatch Group celebrated its tenth anniversary in Norway throughout the trade fair at the Sundvolden Hotel near Oslo. Omega strengthened its market position with increased turnover and an optimized selective distribution network. Rado's presence was highlighted by its role as main partner at the Swiss Design Prize exhibition. Longines continued its cooperation with alpine ski hero Aksel Lund Svindal, and Tissot was partner of the popular TV program, *The Champion's Champion*. Swatch had a successful year with increased distribution and its well-received New Gent series.

2010 was an outstanding year for Swatch Group Nordic **Sweden** (12). Omega remained one of the strongest prestige watch brands through its close working relationship with retailers and a concentrated PR focus. Longines



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continued to gain market share, opened up several shop-in-shops and ended the year with a major launch introducing Kate Winslet as brand ambassador. Rado created even greater brand awareness with attractive new products like its Centrix collection. Tissot enjoyed success with its “Don’t follow the trend – Create it!” strategy; the dainty watches from the Lovely family were warmly received by the market. ck watch & jewelry reported its best sales results ever thanks to optimal points of sale and an impressively strong collection. Certina finished the year as one of the strongest brands in the mid-price segment in Sweden. Swatch distinguished itself with attractive new products, including the Colour Codes and New Gent collections.

## Swatch Group **Greece**

The effects of reduced tourist trade and the imposition of a luxury tax on high-end watches felt by some Swatch Group Greece brands were offset in part by improved performance in the domestic market.

Omega’s new Constellation line was enthusiastically received. Brand loyalty was strengthened at retailer seminars throughout the year. Glashütte Original continued to introduce journalists to its collections. The brand focused on targeted marketing and promotional activities.

Longines enjoyed a remarkable increase in market share, establishing itself as the leader in its segment. Training programs for retailers and trips to the factory in Switzerland were contributing factors. Rado ensured its visibility with new campaign visuals. It invested in the Cypriot market, delivering training seminars in duty free shops to maintain its leading position.

Tissot continued to strengthen its market share both in the local and travel retail markets. Its role as Official Timekeeper for FIBA Basketball Games was a strong communication tool. Hamilton focused on the Cypriot market, looking ahead to promising future development there. It invested in new retailers, store decoration and marketing. ck watch & jewelry’s leading position in the fashion sector was reinforced with product placement on TV shows and successful points of sale promotions in Greece and Cyprus.

Swatch proved to be among the most desired fashion brands and its Colour Codes and New Gent collections enjoyed considerable success.



2002, Athens, Kaleidoscope Event: Swatch sells the 200 “Kyklos Kaleidoscope Packs” at the fish market. Nick Hayek and Nicolas G. Hayek.



## Swatch Group **Poland** (13)

Poland was the only EU country that didn't suffer negative growth in the recent economic turmoil. Nevertheless, retail spending in Poland lagged in 2010, especially during the first half of the year. Initiatives undertaken in 2010 ensure that Swatch Group Poland will fully benefit from the expected upswing. The subsidiary inaugurated new offices in March. This provides customer service in particular – a key to continued success in this dynamic market – with room to develop. Sale staff training was emphasized by all brands during the year in the six owned and operated Swatch stores as well as in the third party multi-brand retailers. Polish consumers take the time to research prior to purchase and the sales staff's solid product knowledge is essential.

George Clooney's support of the Omega Seamaster line and Omega's new four-year guarantee for its Co-Axial movements with silicon balance-springs proved irresistible, while Kate Winslet's arrival as Longines Ambassador of Elegance resonated with Polish consumers. Rado embraced designer trends with its support of the Lodz Design Festival. Tissot's new ambassador, NBA pro Marcin Gortat, and his limited series Couturier watch were towering successes. Certina garnered new customers with its involvement in Formula 1 and its DS1 limited series. ck watch & jewelry enhanced its stature by dominating the fashion segment. During 2010 Swatch watches enjoyed resounding success with the Colour Codes and New Gent lines.



Nicolas G. Hayek hosting Lech Walesa and a Polish delegation in May 1994 in Biel.



## Swatch Group **Russia** (14)

Swatch Group Russia recorded sales figures one-third higher than in 2009 and pursued its efforts to consolidate brands' market positions. These excellent results are directly linked to the development of distribution in Moscow and St. Petersburg, as well as in the provinces. Mono-brand stores were opened along with shop-in-shops, a first Tourbillon boutique, a first multi-brand point of sale based on the "Happy Hour" principle in Moscow, and several new Tissot corners.

Omega continued its repositioning activities in the luxury segment and thus contributed to the success of its sales. Within this context, the celebration of the 35th anniversary of the joint Soviet-American Apollo-Soyuz space mission represented a significant political milestone. Honored by the historical presence on Red Square of the protagonists in this flight – American astronauts and Soviet cosmonauts – this Omega-sponsored event attracted the attention of both Russian and international audiences. The brand's leading position in the luxury segment was thus reinforced not only in Moscow and St. Petersburg, but also in other towns of Western Russia and Siberia.

The Breguet boutique in the famous GUM department store on Moscow's Red Square has become a real gem in the brand's distribution network. Regularly frequented by the Russian elite, it has constantly set new sales records, thereby proving that Russians have forgotten neither the brand nor its attachment to the traditions of beauty and perfection that the national collective consciousness has associated with the name of Breguet for over two centuries.

In the luxury segment, Blancpain, Jaquet Droz and Glashütte Original also worked on intensifying their sales and increasing their distribution.

Rado devoted special efforts to enhancing its image in Russia. Longines sponsored the 30th World Rhythmic Gymnastics Championship that took place in Moscow and at which the famous movie and theatre actress Ingeborga Dapkunaitė awarded the Longines Prize for Elegance to the gymnast Daria Kondakova. The brand also once again sponsored the tennis Kremlin Cup as official timekeeper and supplier of the official watch.

The considerable increase in sales for both Swatch and Tissot contributed to the success enjoyed by the Swatch Group in Russia. Certina, Balmain, ck watch & jewelry and Hamilton also doubled their turnover and thereby consolidated their positions.

Tissot continued its cooperation with Vladislav Tretyak, the leading Russian ice-hockey player and director of the Hockey Academy. As a newcomer to the market, Hamilton opened 53 points of sale during 2010. The brand signed a partnership agreement with Russian movie stars including actor Fiodor Bondarchuk and took part in première screenings of several Hollywood blockbusters. Certina sponsored the Russian race in the Eurocup rally. The Swatch brand's activities were centered around the Freeride World Tour in Sochi, future capital of the 2014 Olympic Winter Games, and on the presentation of the New Gent collection in the GUM department store on Red Square and in other points of sale.



Nicolas G. Hayek and Mikhail Piotrovsky, the museum director, inaugurating the Breguet exhibit at the Hermitage Museum in St. Petersburg in June 2004.



Nicolas G. Hayek and Nick Hayek inaugurating the Breguet boutique at GUM on the Red Square in Moscow in 2007.



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## Swatch Group **United States** (15)

The demand for quality Swiss watches in the US market grew despite two years of global financial uncertainty. Swatch Group brands continued to gain market share in all segments with focus on strong distribution, retail expansion and novel marketing initiatives.

Breguet sponsored the New York Philharmonic's opening night gala. The new Flagship Boutique on Fifth Avenue is its third in America and the most impressive. Blancpain's considerable expansion was facilitated by the launch of its complications and the Lamborghini partnership events. Tight distribution and the introduction of limited and unique pieces enabled both Glashütte Original and Jaquet Droz to post solid increases and start to emerge from their niche status. Omega kicked off 2010 showcasing its timekeeping capabilities at the Vancouver Olympic Winter Games. In July, the Apollo-Soyuz astronauts "landed" at the New York City Boutique to celebrate the 35th anniversary of their historic mission. Rounding out the year, Omega expanded its boutique network with nine new American locations. The Tiffany & Co. watches were enthusiastically received when they entered the market thanks to great timepieces which completely capture the brands' DNA.

Stefanie Graf, Longines and *Town & Country Magazine* hosted the 2nd annual "Women Who Make a Difference" awards dinner to honor extraordinary women. Ms. Graf and tennis great Billie Jean King later conducted a Longines tennis clinic for 50 New York City students. Rado unveiled the *Unlimited Spirit Awards*, an exciting new branding platform to honor individuals whose work or philanthropic activities exemplify the motivating spirit that defines the brand.

Tissot became the primary sponsor for ambassador Danica Patrick's car during her debut year on the NASCAR circuit. The brand continued its tradition as innovator as the first ever to place a QR code on a race car. 2010 proved to be a very exciting year for ck watch & jewelry with the launch of the much anticipated Calvin Klein Collection watches in the brand's Flagship Boutique on Madison Avenue. Hamilton continued to establish its presence in the world of aviation as the official timekeeper of EAA Airventure in Oshkosh, the world's biggest aviation gathering. Its automatic timepieces were also flying off shelves. Mido strengthened and expanded in its target markets and is poised for further growth as the economy continues to improve.

Swatch continued to expand its retail store network with the new Ice Dunes concept. The Times Square Flagship Boutique achieved all-time high sales. It was also a momentous year for new product launches as sales hit a record high for the Swatch Colour Codes and New Gent collections. Spiderman, Barbie and Hot Wheels joined Flik Flak in the US as sales continued to build within the children's market.

The Tourbillon Boutique network was kept very busy with elegant events that led to great sales including several high complications such as Breguet's Double Tourbillon, Blancpain's Carrousel, Jaquet Droz' Tourbillon Power Reserve and several other minute repeater, perpetual calendar and tourbillon watches.



Nicolas G. Hayek, accompanied by Marc A. Hayek (left in photo), carrying the Olympic torch through the streets of Atlanta in 1996, just before the Opening Ceremony of the Games.

**"I ran the last mile of the torch relay in Atlanta. Afterwards, I gave a radio interview. Hillary Clinton, wife of the then US President Bill Clinton, was next to me and said, He did not come to us in order to make money, but with a message."**

*Nicolas G. Hayek,  
Great Olympic Moments in Time.*

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## Swatch Group **Canada** (16)

Swatch Group Canada delivered outstanding results in 2010. Omega introduced new timekeeping technology in Vancouver when it served as Official Olympic Timekeeper for the 24th time. Its Olympic Games Boutique and the exclusive Omega Lounge at the Fairmont Hotel Vancouver were the epicenters of celebrity sightings, hosting top retailers and Omega ambassadors including Cindy Crawford and astronauts Buzz Aldrin, Gene Cernan and Tom Stafford.

Breguet, Blancpain, Glashütte Original and Jaquet Droz continued to reinforce their prestigious images through selective distribution across the country. Tiffany & Co.'s watches were successfully launched in three exclusive Tiffany boutiques.

Longines enhanced its market presence with the launch of PrimaLuna and continued the success of the Master Collection and La Grande Classique. Rado's r5.5 collection at the IDS10 event reinforced its presence in the design community.

Tissot remained focused on quality distribution and shop-in-shop initiatives. The third annual roadshow successfully engaged consumers through 3D technology. ck watch & jewelry increased brand awareness by focusing on shop-in-shops across Canada and opening the first multi-brand installation in the Hudson Bay Company's flagship store in Toronto. Hamilton was featured at TIFF, Fashion Week, and the biggest Elvis Festival in North America.

Olympic fever continued with the renovation of the Swatch Metrotown store in Vancouver. The Colour Codes Collection launch reignited the love affair with Swatch and its colorful plastic classics.

## Swatch Group **Brazil** (17)

2010 was a significant year for Tissot and Mido in Brazil. Both brands maintained their solid positions in the market, gaining share by focusing on distribution, training and efficient investments in marketing.

Tissot maintained its position as absolute sales leader in its watch segment. With its excellent distribution in Brazil and a favorable cost/benefit relationship as well as a collection perfectly matched to Brazilian customers' tastes, Tissot reaffirmed its momentum and is working full-steam towards 2011.

The successful launch of the Multifort Collection, whose sales surpassed expectations, contributed to Mido's impressive performance. The year's highlights included the brand's critically acclaimed fashion event in Fortaleza and new key partnerships throughout Brazil.

## Swatch Group **Mexico**

Swatch Group Mexico's record year was marked by intense activity from each brand, highlighted by the launch of limited editions from Mido and Swatch to commemorate the Bicentennial of Mexico's independence. In the prestige segment, Breguet offered a gala dinner for a select audience of retailers and customers at a historic landmark in Mexico City. The successful launch of Omega's re-designed Constellation and its impressive branding campaign in the most exclusive department store contributed to its best year ever. Tiffany & Co. started an ambitious distribution plan for its watches with openings in three states. Longines launched PrimaLuna at the Acapulco Tourism Fair. Rado introduced a new advertising campaign, the latest products and radostar.com at a press breakfast. Hamilton was strongly launched in Mexico, quickly expanding through selective distribution. Tissot hosted an event to present the most recent launches in its collection. "Augmented Reality" let media and customers interact with the brand. ck watch & jewelry's unique design led to record-breaking sales; it opened a luxury venue at Riviera Maya. The brand positioned itself as leader in the fashion segment. At a major fashion runway event, Swatch launched the New Gent collection creatively and emotionally. The banner year ended as Swatch, ck watch & jewelry, Tissot, Mido, Hamilton,





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Rado and Longines unveiled their first boutique concept in an exclusive department store. This innovative project conveys the value of 'Swiss Made' and consolidates the strength of Swatch Group's brands.

## Swatch Group Panama (18)

Swatch Group consolidated its presence in Latin America with product launches, sponsorships and PR events. Blancpain participated in the FIA GT1 race as official timekeeper with its own vehicle in Argentina and Brazil. The luxury boutique "La Hora Alta Relojería" opened in Panama featuring renowned watch brands including Breguet, Blancpain, Glashütte Original and Tiffany & Co., each with their own shop-in-shop. The Omega Boutique in Panama hosted an event to launch its re-designed Constellation in Latin America; Omega's jewelry collection was also displayed. Tiffany & Co.'s watches were available in Latin America this year and launches were made in Colombia and Mexico. Longines launched the Prima Luna collection and sponsored several equestrian events. In Argentina, the Fortabat Museum hosted the most recent Rado collections, including the r5.5 and the successful Rado True collection. Tissot launched the Sailing-Touch and T-Touch II and in Colombia was the official timekeeper at the South American Games and UCI Track Cycling World Cup. ck watch & jewelry participated in fashion events, sponsored Argentina's national women's field hockey team and had permanent billboards in the National Stadium. Certina launched the DS First Ceramic collection and Mido the Multifort collection. Swatch celebrated Brasilia's 50th anniversary with a tribute to the city and to distinguished Brazilian architect Oscar Niemeyer. An exclusive watch inspired by Niemeyer's design was presented during the festivities.

## Swatch Group Australia (19)

For Swatch Group Australia, 2010 was a year of increased brand development activity and a focus on operational excellence including a new customer service facility at the head office in Melbourne.

Breguet continued to elevate its position in existing distribution and added new POS. Swatch Group Australia assumed management of Blancpain and Glashütte Original, upgrading retail presentation and increasing marketing support. Omega continued its investment in a major shop-in-shop refit project across Australasia and had its strongest year of marketing activity. The Tiffany & Co. watches were introduced into five Tiffany boutiques and a luxury watch boutique at Melbourne International Airport.

Longines strengthened its position as a leading brand with unsurpassed marketing activity. Event highlights included inaugural 'Longines Rising Star Award' with Tennis Australia and a regional event around its sponsorship of the Melbourne Cup Carnival. For Rado the focus was on improving in-store presence with a new shop-in-shop concept. Targeted advertising and well-placed editorials saw increased brand awareness and sales.

Tissot capitalized on its sponsorship and timekeeping of major sporting events including Australian Football League, MotoGP and UCI World Championships. ck watch & jewelry realigned its distribution and improved its retail presentation. Strong publicity in key media titles reinforced its design position in the marketplace.

For Swatch and Flik Flak, a year of major retail expansion included three new corporate stores. In support of the activity, Swatch had advertising campaigns using outdoor, cinema and print media and achieved considerable public relations exposure.



## Swatch Group **China** (20)

Swatch Group China's brands all had positive growth in 2010. The focus was placed on optimizing distribution, capitalizing on strategic marketing and raising the awareness of every brand. One of the year's communications highlights was the opening of the four boutiques at the Swatch Art Peace Hotel in Shanghai.

Not only did Breguet enjoy a remarkable sales increase, it also upgraded its distribution with its new boutique concept in key cities. The first Breguet Flagship Store was launched in the Swatch Art Peace Hotel. Blancpain's growth in China continued unabated and it has momentum in the prestige watch market. Its boutique at the Swatch Art Peace Hotel was its second in the country. Glashütte Original's 165th anniversary year was marked by substantial sales growth as a result of a strategy focused on key sub-markets, retailers with solid performance, improved product allocation and targeted marketing. Jaquet Droz recorded an outstanding increase in sales and developed its distribution network strategically. Omega launched its Ladymatic line in Beijing; its expansion in China continued with boutique openings including one in the Swatch Art Peace Hotel. Tiffany Watch Co., which entered China in 2009, expanded its retail network with 17 shop-in-shops. The brand's image was promoted through strategic media use and promotions with retailers.

Longines increased sales in China by more than 50% and opened its first corporate store in China. Rado resumed its growth momentum in 2010. The introduction of global ambassador Rene Liu generated excitement among customers and the media and helped communicate the brand's essence of Unlimited Spirit.

Tissot continued to expand in China as its network there reached more than 800 retailers. The brand image has been further strengthened with more than twenty Tissot mono-brand boutiques in major cities. ck watch & jewelry had another successful year with a strong increase in sales. Customers responded enthusiastically to the brand's "pure, simple, modern, sexy" spirit. In its second year in the market, Balmain successfully set up 80 sales points at 34 cities around the country. The first mono-brand store was launched in Beijing's Blue Harbor shopping district in November. Certina completed its third consecutive full year in China and impressively expanded its market coverage. Customers were drawn to the brand's sporty concept. Mido achieved a dramatic sales increase in 2010 along with greater customer awareness of the brand. Its reputation for design excellence and value won over new fans. Hamilton continued its success in China with rapid retail expansion to over 200 points of sale in more than 60 cities. Plans are in place to enhance the brand's retail growth with unique and creative marketing platforms.

In 2010, Swatch's high-profile corporate store openings, including the boutique at The Swatch Art Peace Hotel, enhanced its image. The brand's new collections were well received by the media and the public and have positioned Swatch as one of the fashion industry's trendsetters.



Nicolas G. Hayek welcoming Jiang Zemin, President of the People's Republic of China in 1999. Also shown are Pascal Couchepin, Johann Niklaus Schneider-Ammann, Ruth Dreifuss and Flavio Cotti.



## Swatch Group Hong Kong (21)

Swatch Group Hong Kong continued its high rate of growth in 2010 by focusing on its long-term strategy of retail development, close partnerships with retailers and emotional promotional events.

A unique concert, Breguet's Celebration of Excellence – by the Munich Chamber Orchestra with cellist Trey Lee, celebrated the brand's 235 years of innovation. "Blancpain in 2010: Building on a Heritage of 275 Years" event was held at Blancpain Boutique in May focusing on its historic movements and its new products. Glashütte Original opened its first franchise store in Hong Kong in 2010 and continued as Official Watch Partner of the ART HK 10 fair whose display of unique handmade timepieces attracted more than 46 000 visitors. Jaquet Droz confirmed its commitment to aesthetic refinement at its new flagship boutique. The space, with its sleek lines, a palette of black, enamel colors and gray as well as contrasting matt and glossy surfaces, reflects the Jaquet Droz design codes. The opening of the tenth Omega Boutique was highlighted by a visit from ambassador Nicole Kidman and the release of an edition of the Constellation created exclusively for the local market. Ms. Kidman hosted a charity dinner to benefit the United Nations Development Fund for Women (UNIFEM). The new Tiffany & Co. watches were launched in the Hong Kong market at the beginning of the year.

A "One Thousand and One Nights" cocktail event unveiled the launch of Longines's PrimaLuna collection. An online "Elegance is an Attitude" photo contest gave substance to the brand's motto. Rado's ambassador Rene Liu helped inaugurate the third Rado flagship store in HK. A product launch event celebrated the launch of r5.5 collection. The brand increased its exposure and awareness with the time-check sponsorship on a 24-hour TV news channel.

Tissot opened its fourth flagship store in April and the largest flagship store in October. Both were launched with celebrity-studded grand opening ceremonies. ck watch & jewelry's new shop-in-shop was opened at One Grand Tower in Mongkok, one of the city's highest traffic shopping areas. In October, the special "black on black" window decoration at the Times Square Boutique introduced the PVD black series and drew customer and media attention. Hamilton sponsored the Hong Kong International Film Festival in March and there was a film poster design competition related to the release of the new Pulsomatic. Certina continued to expand its sales network in Hong Kong. Special decoration focused customers' attention on Certina's optimal price and quality ratio. Mido enjoyed significant growth and continued to extend its distribution network by increasing the shop-in-shop concept in both Hong Kong and Macau. The brand presented its new products through creative media channels to attract tourists during the peak season.

Swatch opened two strategic corporate stores in the heavy-traffic Hong Kong International Airport.



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## Swatch Group **Macau** (22)

Swatch Group Macau sales continued to grow strongly in 2010, the third full year of operations for this young subsidiary. Continued development of the retail network laid the foundation for further growth in this dynamic market.

Jaquet Droz unveiled an exclusive boutique in The Landmark Macau in November. The opening marked an important step in the brand's long history as it acknowledged its Chinese clientele to be among the world's most exacting watchmaking connoisseurs. Omega opened three boutiques in the rapidly growing Macau market, in Macau Landmark, City of Dreams and the Grand Lapa Hotel. The boutiques complement the brand's timepieces and allow visitors to experience the world of Omega.

A three-month window exhibition at The Grand Canal Shoppes at the Venetian Macao-Resort-Hotel led to an increase both in awareness and sales for Rado. The Rado store at The Landmark Macau was renovated to offer an even more comfortable shopping environment.

Product training conducted by Hamilton with its Hong Kong and Macau retailers in the summer received positive feedback from the participants who came away with enhanced product knowledge and familiarity with the brand's history. Certina further explored its opportunities in Macau, with its shop-in-shops and special decoration. The brand maintained its strong presence in retailers. Mido has first exposure in Macau International Airport at the baggage reclaim area which it uses to promote the Multifort and Belluna in sales points.

## Swatch Group **Taiwan** (23)

Swatch Group Taiwan improved its distribution and reached its sales target in 2010. Shop-in-shops were opened in support of Swatch Group's prestige and travel retail businesses. Breguet inaugurated new retail locations and communicated its values with the sponsorship of a concert by St. Petersburg Philharmonic. The Blancpain Boutique in Taipei opened in April; its shop-in-shops were complemented by a high-profile presentation of new products. Glashütte Original also launched new retailers and received excellent coverage for its "Art & Technik" concept. Jaquet Droz's store at Elegant was renovated as a shop-in-shop. In a highly competitive market, Omega continued its growth and maintained its leadership position by focusing on its long-term retail strategy. Tiffany & Co.'s top priority in 2010 was building its brand image; retailers and celebrities attended its first watch launch event in Taiwan. Longines had a banner year, setting a new sales record. Rado opened its second store with a successful three-month promotion. Tissot's sales performance was enhanced with its first corporate store in Taiwan. ck watch & jewelry enjoyed continuous outstanding growth. Hamilton invested in its retail image exposure with dramatic events throughout the year. The launch of its RailRoad collection generated brand interest. Mido's excellent performance was a result of launch events and new retailers. Swatch's double-digit sales growth resulted from the Colour Code and New Gent launches which confirmed its position in the fashion segment. Flik Flak's position as the leading brand for children was reinforced by licensed product launches.



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## Swatch Group **Singapore** (24)

Swatch Group Singapore continued its steady growth in 2010 by focusing on its network of mono-brand boutiques, strengthening its long-term partnerships with key retailers and organizing emotional promotional activities. Breguet's May event featured a gala performance by Grammy-winning lyric soprano Sumi Jo with the Singapore Symphony Orchestra; its new boutique at Marina Bay Sands opened in July. Blancpain also welcomed a new boutique at Marina Bay Sands and partnered with the prestigious Eastern & Oriental Express for an evening of mystery and fine watchmaking aboard the famed train. Glashütte Original exhibited its new products at a dinner at the 5-star Fullerton Bay hotel. Omega was the official timekeeper of the first Youth Olympic Games in August and added two new flagship boutiques to its network. Longines entered into a partnership as title sponsor of the Longines Singapore Gold Cup and is the Official Partner and Timekeeper of the Singapore Turf Club. Rado strengthened its presence in the market with the successful opening of the Rado Store at Marina Bay Sands, inaugurated by brand ambassador, Rene Liu. Tissot maintained double-digit growth by focusing on key sales and marketing events such as the MotoGP exclusive launch. ck watch & jewelry opened a jewelry "Super Corner" in September in prestigious C K Tang Orchard center. Swatch took the market by storm when the Colour Codes collection was launched in February. The bigger, bolder New Gent watches were launched in October at an event highlighting the collection's versatility and design spirit.

## Swatch Group **Malaysia** (25)

Swatch Group Malaysia achieved another strong year in 2010 with record sales for all its brands. Blancpain participated in the Merdeka Millennium Malaysia Endurance Race at the Sepang circuit in Kuala Lumpur. VIP guests witnessed the Blancpain-branded Lamborghini Gallardo claiming victory in a field of supercars. Omega introduced its new retail design concept at the KL Pavilion flagship store. The brand also celebrated the tenth anniversary of its Co-Axial escapement with the prestigious Journey Through Time exhibition at Starhill Gallery in December. Longines was able to strengthen its qualitative distribution network and successfully launched the PrimaLuna steel-gold collection. Rado confirmed its leading position in the field of art and design by exhibiting some of the artwork from the first ever "Rado Young Design Prize, Malaysia 2010" contest in the concourse of the Petronas Twin Towers. Tissot added two more mono-brand stores to its existing network of boutiques in Mid-Valley Megamall and the newly-opened Fahrenheit88 shopping centre. The brand also launched its MotoGP T-Race collection with brand ambassador Nicky Hayden at the KLCC shopping center. Mido impressed the capital city's motorists with a giant billboard on the pedestrian bridge linking the Novotel Hotel and the KL Pavilion shopping complex for two full months. Swatch's KLCC flagship store saw the implementation of the brand's Ice Dunes concept with its stunning chandelier created from 3000 Swatch watches.



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## Swatch Group **Thailand** (26)

In a challenging economic environment, Swatch Group Thailand strengthened its market leadership in 2010. Activities were focused on direct operations with consumers and on extending Swatch Group's presence in department stores. Omega and Swatch opened new corporate boutiques.

In November and December, Breguet unveiled its new shop-in-shop at the Cortina Watch Espace in Erawan. A successful preview organized with prominent collectors promised positive development of the brand with this new partner. In November Glashütte Original presented its PanoMaticCounter XL to selected guests at a sit-down dinner event in the ballroom of the Sukhothai Hotel. In February Omega organized a preview of the limited edition Museum No. 9 "Milestone 1941" at the Peninsula Hotel.

Longines enjoyed a steady sales increase in 2010. Coupled with the development of new products, it established a strong relationship with retailers both in Bangkok and upcountry. The brand's image was reinforced with the opening of new shop-in-shops. Rado's launch of the r5.5 Automatic communicated the brand's design legacy in Thailand and special events were organized around its release.

In September, international teams participated in the Tissot Go-kart 6 Hour race featuring three Tissot-sponsored teams. A special competition was also organized for the media.

Swatch opened its latest boutique with the new Ice Dunes concept at Paradise Park, a newly-renovated shopping mall in the eastern part of Bangkok. At the launch party members of the press, customers and VIPs celebrated the spirit of Swatch.

## Swatch Group **South Korea** (27)

All of the Swatch Group South Korea brands enjoyed solid sales performance and outstanding brand awareness.

Breguet's successful PR efforts were highlighted by the enthusiastic reception of its high jewelry and complication watch exhibitions. Awareness of the Blancpain brand positioned it positively in the prestige market and sales grew in 2010. Glashütte Original was conspicuously present in two Equation du Temps boutiques. Jaquet Droz' innovative new models were the focus of intense sales and marketing support. Omega's marketing activities included a stepped-up Co-Axial campaign and a cocktail event at the flagship boutique.

Longines enjoyed strong sales performance buoyed by its PrimaLuna collections. Up-and-coming designers and students participated in the high-profile Rado Young Design Prize. Hamilton officially entered the Korean market with six honorary ambassadors and established itself as "the movie brand" with its sponsorship of the Pusan Film Festival. The tremendous growth of Tissot's shop-in-shop and duty-free network led to a year of record-breaking sales. ck watch & jewelry increased its sales and market share in Korea, opening seven new shop-in-shops.

Swatch focused on rejuvenating its brand image at retailers with a new store concept introduced during the year. Events in South Korea highlighted the brand's link with fashion. Flik Flak's solid year was a result of good performance in the travel retail sector and the brand awareness generated by strong license collections.



## Swatch Group **Japan** (28)

In a difficult economic environment, Swatch Group Japan was able to strengthen the positioning of its brands through more selective distribution, continued investment in its retail operations, and dynamic marketing campaigns. The brands were successful in showcasing their products in the Cite du Temps on the 14th floor of the Nicolas G. Hayek Center in Ginza and in promoting their launches using the building's unique façade in the center of Tokyo. All of the Group's brand boutiques enjoyed exceptional sales throughout the year.

Breguet continued to strengthen its position at the top of the prestige watch market, emphasizing the historic and innovative side of the brand with an exceptional exhibition of chronographs from the Breguet Museum. Blancpain celebrated its 275th anniversary in style with an exhibition of "The World of Blancpain Manufacture" which drew an impressive number of Japanese visitors. Jaquet Droz and Glashütte Original were also active in organizing private showings and unique product launches for their VIP customers in their boutiques, resulting in robust sales.

2010 was also a busy year for Omega, starting in February with the Vancouver Winter Olympic campaign which attracted considerable attention in Japan. Following the Games, Omega's boutique in Ginza welcomed all the Japanese medalists. In April, the "Constellation Exhibition" was inaugurated with an event at the Cité du Temps in Tokyo followed by a gala dinner attended by film and media celebrities. In October, Bertrand Piccard and Andre Borschberg presented their Solar Impulse project to enthusiastic journalists in Tokyo. In December 2010, Tiffany Watches & Co. opened its first Showroom in the Hayek Center in Ginza. The event held to mark the occasion generated enormous media interest.

A contest to find the oldest Longines in Japan drew extreme interest with near 500 entrants. A highlight of the contest was the "Longines Heritage Museum" created on the ground floor of the biggest department store in Japan. In October, Rado launched its first Rado Young Design Prize in Japan at the Hayek Center. For a week, the Hayek Center was Rado-colored, and its theme, "People with unlimited spirit", took over Ginza. Tissot underscored its sporty image with events around the Moto GP Grand Prix of Japan. Hamilton continued to reinforce its strong image throughout the year with co-promotions of films and its strong link with the Hollywood movie industry. The brand strengthened its web presence with an internet media campaign. ck watch & jewelry participated in the opening event of a Calvin Klein Pop-up store which was attended by a number of celebrities.

Swatch drew enormous attention with the launch of its two main collections, Colour Codes and New Gent. For the Colour Codes launch, a major subway line of Tokyo was "Swatch-colored". In October, more than 200 guests including celebrities, stylists and fashion designers gathered at the Cité du Temps for the launch of the New Gent.



(29)



(30)



(30)

## Swatch Group **India** (29)

Swatch Group India enjoyed rapid growth across all segments. Its brands continued to leverage their position in the market through exciting events, innovative marketing activities and sustained PR efforts.

Breguet in India had record sales and reinforced its image as the top prestige brand. Timepieces from the Queen of Naples collection were exhibited to select press and customers at their new point of sale in Kolkata. Blancpain was featured in leading lifestyle magazines throughout the year. Jaquet Droz used direct mailing and innovative campaigns to raise awareness of its status as a luxury brand. Omega organized glamorous launch events for the new Constellation range in New Delhi and Mumbai (Bombay) with brand ambassadors Abhishek Bachchan and Sonali Bendre Behl, maintaining a high profile at other events.

Longines opened shop-in-shops in key cities. The brand ambassador, Aishwarya Rai Bachchan launched the new DolceVita collection at a glittering event in New Delhi and inaugurated the new Chennai boutique. Rado opened four exclusive boutiques as well as thirteen new retailers in selected cities. The boutiques were inaugurated by Indian Rado ambassador Lisa Ray.

Tissot opened two exclusive stores in Mumbai. As Official Timekeeper of the Commonwealth Games in October, brand awareness increased throughout the year. ck watch and jewelry opened 40 retailers, raising the total to 120 nationwide. Balmain opened eight new stores during the year and saw a significant increase in sales. Hamilton, now in 50 stores nationwide, was Official Timekeeper at India Aviation 2010.

Swatch added five shop-in-shops along with an exclusive store in Chennai.

## Swatch Group **Middle East** (30)

2010 was a year of tremendous growth for Swatch Group Middle East's brands, and the market improved throughout the year. The subsidiary invited regional partners to its traditional annual event, "Time to Move", attended by Nayla Hayek, Marc A. Hayek and most of the brands' senior management. There was an emotional moment at the dinner, recalling the memory of Mr. Nicolas G. Hayek.

Breguet, the prestige segment's market leader, once again achieved record sales throughout the Middle East. A new boutique was opened at the luxury hub of the Mall of Emirates. Blancpain continued to gain momentum in the region. Its presence in key cities appealed both to local customers and tourist clientele. Glashütte Original continued its positive development with the opening of new corners in Lebanon, Libya and Jordan. An exhibition at the Dubai Mall highlighted its technical and watchmaking prowess. Jaquet Droz saw changes in the year in the Middle East, particularly in Dubai and Abu Dhabi where it joined the Rivoli network. The year saw a series of successful initiatives for Omega including additions to its network of boutiques, the introduction of new product lines and the brand's association with some of the region's high-profile sporting events. Tiffany & Co. continued its strategy of market development and expansion. The opening of new markets made a solid contribution to strengthening its position in the region.

Longines had an excellent year highlighted by the opening of a second franchise boutique in the UAE and its ongoing involvement in equestrian sports. It will pursue its strategy of developing flagship stores in the region. Rado strengthened its position by focusing on retail expansion, opening new boutiques and shop-in-shops in the Middle East. The brand's image was enhanced through its 'Unlimited Spirit' marketing campaign.





Tissot continued to strengthen its position as the mid-price market segment leader and the number one player in volume among traditional Swiss watch brands. It enjoyed a dramatically enhanced retail presence. Balmain focused on strengthening its image by establishing additional shop-in-shops in the Kingdom of Saudi Arabia and the United Arab Emirates. In Iran, the results increased spectacularly. Hamilton continued to strengthen its position as the leader in the automatic mid-price segment. It was granted additional space at most retailers in the area and new shop-in-shops were set up in Dubai and Abu Dhabi. 2010 was again a fruitful year for Certina, whose exposure was increased and refined in its partners' retail networks. New shop-in-shops played also a key role in its development in the Middle East.

Swatch continued its robust growth in 2010 by focusing on its long-term strategy of retail development. 39 new locations were inaugurated in the region, including the first Swatch store in Iran and two flagship stores in Saudi Arabia in Riyadh and Jeddah. Targeted and consistent marketing activities underscored Swatch's fashion positioning throughout the Middle East.

## Swatch Group **South Africa** (31)

Swatch Group South Africa continued to develop and strengthen all its brands in 2010. The new Swatch Group subsidiary enjoyed its first full competitive year and showed growth as well as increased brand presence and awareness.

Breguet entered the market with a new point of sale in upmarket Sandton. Omega continued to gain market strength by increasing its retail presence and capitalizing on a well-executed advertising campaign. Tiffany & Co. celebrated its market entry with an event at the elegant Saxon Boutique Hotel.

An effective advertising and PR campaign in 2010 secured a strong presence and greater visibility for Longines. Rado continued to gain market share with an increase in retail development and exposure. The year's highlight was the launch of r5.5 in Circa, Johannesburg's architecturally renowned art gallery. Tissot enjoyed further growth with the continued opening of new retailers. The brand ran a national billboard campaign in and around airports and stadiums during the FIFA World Cup.

With focus on its rejuvenation in South Africa in 2010, ck watch & jewelry achieved substantial growth; its jewelry was well received in the market. Efforts were concentrated on raising brand visibility and awareness and on improving distribution in key areas.

Swatch increased its presence in South Africa throughout the year with a creative marketing campaign and enhanced brand awareness. Flik Flak had steady sales in 2010. The brand's popularity is sustained by its innovative packaging and continuous branding with Marvel products. Hello Kitty is a favourite in South Africa.

# GOVERNANCE



## Environmental Policy

**Environmental and Safety Policy** Environmental protection is a high priority policy within Swatch Group and has been part of its guidelines for decades. Swatch Group is keenly aware of the importance of the planet's limited natural resources and treats them with the utmost possible care. In doing so, it contributes significantly to environmental protection. This can be done actively and effectively only through sustained action. Swatch Group is committed not only to continuous improvement in environmental performance, but goes beyond the legal requirements for products and production processes. The funding necessary to do this is seen as an investment in the preservation of the environment.

The need for sustainability includes economic and social aspects in addition to the environmental dimension. Therefore, in daily practice, these three interdependent factors are of the highest priority.

In the reporting year 2010, Swatch Group remained committed to optimizing the environmental safety and sustainability of its activities; this commitment was confirmed by the efforts and results achieved.

### Progress achieved

Actions taken continued to focus on the most important elements affecting the environment: energy, water, air and waste management. Benchmarked to the previous year, improvements can be highlighted in the following areas:

#### Energy consumption by floor space (kWh/m<sup>2</sup>)

The energy consumption of fuel, natural gas and district heating was reduced by 12.8%. This improvement came from building renovation and insulation, replacement and improvement of heating installations and cooling and air-conditioning systems, as well as the installation of a large number of heat recovery and solar energy heating systems.

**Electricity consumption** Electricity consumption decreased by 6.8%, mainly through more energy-efficient machines and installations at several production sites, and through specific energy saving programs implemented by the employees.

**CO<sub>2</sub> emissions resulting from energy consumption** Fossil fuel savings decreased CO<sub>2</sub> emissions by 5.4%. Collaboration with the Economic Energy Agency (Agence de l'Énergie pour l'Économie/AEnEc) in order to further reduce energy consumption, and thus CO<sub>2</sub> emissions, was intensified and extended to other Swatch Group entities.

**Waste management** In 2010, the quantity of special waste handled by accredited companies specialized in recycling increased by 1.1%. In the same period, the share of recycled special waste decreased by 7.4%. Better waste sorting and systematic quantity control resulted in a 29.4% increase in the recyclable portion of other industrial waste, such as paper, cardboard, synthetic material and electronic components.

**Battery recycling** During the period under review, the quantity of used watch batteries collected and recycled increased by 2.2% not taking into consideration batteries internally recycled by Renata.

**Use of water** Considerable progress was also achieved in this area. Compared to the previous year, the consumption of drinking water was reduced by 1.7% and that of non-drinking water increased by only 1.4%, even as production and sales areas were expanded and additional cooling and climate systems were installed. Also

"I am making an urgent appeal from this international podium to my fellow entrepreneurs and industrialists, creators of jobs, of new products, of new wealth, to help as powerful opinion leaders in leading the fight to reshape both our society and our way of life. For this reason we have created a small mechanical, automatic watch with the message *In Our Hands, Earth Summit '92*. We have called it *Time to Move*."

*United Nations preparatory meeting for the Rio Earth Summit, New York, March 9, 1992.*





contributing to the reduction in overall water consumption were closed water circulation systems and the use of collected rainwater for cooling and sensing systems.

**Emissions of VOCs (Volatile Organic Compounds)** The sharp rise in production volumes led to an increase of just 7.2% in the use of products generating VOC emissions. This was mainly due to the use of alcohol, acetone and benzene as cleaning products for the parts produced.

**Paper consumption** While the use of paper and cardboard increased, their collecting and recycling was also improved accordingly during the 2010 reporting year.

### **Risk management**

Regular risk assessment is conducted by internal and external experts. The data is then recorded, analyzed and evaluated by means of the Corporate Management Risk System. This serves to determine the most appropriate action to be taken in order to minimize or avoid potential loss or damage.

Fire remains the highest potential risk identified, which notably led Swatch Group to invest in automatic fire extinguishing systems at its production sites. Comprehensive and clearly defined emergency procedures have been implemented in all cases. Swatch Group devotes particular attention to the health and safety of its employees and management provides all the necessary resources in these areas.

**“We must remember that we who sometimes take ourselves very seriously, we are merely specks on a small sphere called Earth, located in an infinite universe.”**

Andre Borschberg, Bertrand Piccard, Josef Ackermann and Nicolas G. Hayek at the press conference to launch the Solar Impulse project in Dübendorf (Zurich) in 2007.

Swatch Group complies completely with the two European Union directives regarding RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) in terms of production methods and sustainable products.

Environmental, ethical and social criteria are also part of the procurement policy. To be accepted, suppliers must fully comply with the entire set of clearly defined contractual terms in terms of security, environmental protection and socio-political factors. This policy is also applied to sourcing exotic leathers, which means Swatch Group strives to cover its needs for this type of leather from controlled breeding sources in the USA.

The other example in this respect relates to diamond sourcing. Swatch Group's trade is entirely compatible with the Kimberley Process regulations as well as with the vendor's retrospective guarantee system. For precious metals such as gold, each supplier (gold refinery or commercial firm) is required to sign a similar statement regarding the fundamental ethical standards and the source of the materials.

## **Social Policy**

[www.swatchgroup.com/en/human\\_resources](http://www.swatchgroup.com/en/human_resources)

**General principles** Because 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 expresses its will to be a competitive and attractive player in the employment market.

**Employment** With some 25000 employees around the world, Swatch Group has a significant role in a large number of professions and areas of activity. The decision made by Swatch Group's Board of Directors and Management Board to ensure that all measures were undertaken during the economic crisis to preserve long-term employment has paid off. The company thus remains more than ever both a reliable and very attractive employer. This has proved all the more important as Swatch Group is again experiencing a phase of growth with a continuous rise in its recruiting activities.

### **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 for future competencies and for certain professions that are in danger of disappearing altogether, its companies are 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. In 2010, Swatch Group trained 326 apprentices.



**Nicolas G. Hayek Watchmaking Schools** In addition to the Swatch Group 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, created on the initiative of Swatch Group's founder, 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 high-quality 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 2010, the 56 students who completed the course passed their final exams with success while 65 new candidates were admitted.

**Professional development** In a process aimed at the 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 with the employees concerned their training needs. The training programs focus on practical aspects that facilitate transfer of acquired skills to the workplace.

#### **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. Its constant investments show its desire to offer good working conditions to its employees. Concerned by health and safety aspects in the workplace, Swatch Group encourages the creation of a positive working atmosphere favorable to the personal fulfillment of its employees. As an international and multicultural company, with some 70 different nationalities working within its companies in Switzerland, Swatch Group is a home to diversity that cares for the individual identity of each of its companies and leaves each the freedom to act according to its own particular working customs.



Nicolas G. Hayek and Nick Hayek speaking to Swatch Group executives during the Management Meeting in 2007 in Lucerne.

**"It is true that I wrote the music and conducted the orchestra, but without the countless artists around me who corrected, improved and most importantly played the music, nothing would have been possible."**

# 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 210, 211 and 212 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 224.

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 2010, the Hayek Pool, related parties, institutions and persons control 64 385 225 registered shares and 1 025 bearer shares, totalling 41.6% (previous year 41.0%) of the votes.

The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Community of heirs of N. G. Hayek represented by Marianne Hayek	Meisterschwanden	Community of heirs of N. G. Hayek
WAT Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	Descendants U. Ammann-Schellenberg sen.
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	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of 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 Daniela Schneider <sup>1)</sup>
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	–
Wohlfahrtsstiftung der Renata AG	Ittingen	–
Fonds de prévoyance d'Universo SA	Neuchâtel	–

<sup>1)</sup> since 1.11.2010 (until 31.10.2010 J.N. Schneider-Ammann)

The community of heirs of N. G. Hayek controls directly, through related parties and institutions and in the context of the Pool 40.8% (previous year 40.2%) of the votes. 4.9% thereof are represented in the context of the Pool contract (previous year 4.8%).

Mrs Esther Grether's group controls 7.2% (previous year 7.5%) of the votes registered at 31 December 2010 in the share register. On 31 December 2010, 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 2010, 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
<b>Total share capital as of 31.12.2010</b>	<b>CHF</b>	<b>125 210 250.00</b>

### 2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2010.

### 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
31.12.2008	124 045 000 at CHF 0.45 <sup>1)</sup>	30 840 000 at CHF 2.25 <sup>1)</sup>	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
31.12.2010	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

<sup>1)</sup> After a buyback of shares on the Group's 2<sup>nd</sup> 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 2009 and 2010, is published on page 165. For The Swatch Group Ltd, it is published for the year 2010 in note 7 on page 219. With regard to the previous years we refer to the annual reports 2007, 2008 and 2009.

### 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 5 000.– is, in accordance with its terms, convertible free of charge into shares. The bond issue was a public bond offering in Switzerland.

## CORPORATE GOVERNANCE

### 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 5 000.– 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. At the maturity date all bonds of the company had been converted, except CHF 1 070 000 which were settled in cash.

In addition, reference is made 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 2010, the content of this portfolio amounted to 2 125 677 registered shares; this corresponds to 0.76% of the total share capital (previous year 2 356 309 registered shares, 0.85% of the total share capital). In the year under review 230 632 registered shares (or 0.08% of the total share capital per 31.12.2010) 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
2008	74 573	195	2010
2009	72 951	204	2010
2010	83 108	198	2010
<b>Total</b>	<b>230 632</b>		

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
2009	71 730	200	2011
2010	81 411	197	2011
2010	79 931	196	2012
<b>Total</b>	<b>233 072</b>		

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. With the exception of Mrs Nayla Hayek and Mr G. N. Hayek no members of the Board of Directors received options or shares under this plan.



# CORPORATE GOVERNANCE

## 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 2010 is composed as follows:

**Nayla Hayek**, Swiss citizen, Dr h.c. European University Montreux, Montreux, is Chairwoman of the Board of Directors of the Swatch Group since June 30, 2010. Mrs Nayla Hayek has been on the Board of Directors of the Swatch Group since 1995; from May 12, 2010 she was Vice-Chairwoman of the Board of Directors. 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. 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 January 22, 2008 (Tiffany Watch Co. Ltd). As Board member of the Hayek Group, she is responsible for Hayek Immobilien AG and HEAG. 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.

**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, Basel. She has headed this group for over 30 years. As the second-largest shareholder after the community of heirs of 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.

**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 and Member of the Board of Directors since 2010. 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. 1<sup>st</sup> 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.

**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 repair 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.

**Dr Jean-Pierre Roth**, Swiss citizen, Dr oec. Graduate Institute (HEI) Geneva, has been a member of the Board of Directors since 2010. Following postgraduate studies at the Massachusetts Institute of Technology in the USA, Mr Roth lectured at the University of Geneva and at the Graduate Institute (HEI). In 2009 the University of Neuchâtel conferred him a honorary doctorate in economics. Jean-Pierre Roth joined the Swiss National Bank in 1979 where he was active in various areas in Zürich and Bern. On May 1, 1996 he was appointed Vice-Chairman of the board and head of the II. Department (equity market, bank notes, business relationships with the federal government, administration of the gold reserves) in Bern by the Swiss federal council. On January 1, 2001 he was elected Chairman of the board and head of the I. Department (political economics, international affairs, legal and services) in Zürich. Jean-Pierre Roth was Swiss governor of the International Monetary Fund (IMF) in Washington. From March 1, 2006 until end of February 2009 he was Chairman of the Board of Directors of the Bank of International Settlements (BIZ) in Basel. From end of March 2007 until end of 2009 he represented Switzerland in the Financial Stability Forum, an international committee consisting of representatives from the ministries of finance, central banks and regulatory authorities to tighten the

## CORPORATE GOVERNANCE

collaboration on surveillance of the international financial system. End of 2009 Mr Roth resigned as President of the Swiss National Bank. Mr Jean-Pierre Roth was appointed member of the board of Swiss Re and of Nestlé Ltd in 2010. Since July 1, 2010 Mr Roth is Chairman of the Banque Cantonale de Genève (BCGE).

**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. 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 age and/or 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
Nayla Hayek	1995	Up to 2013
Dr Peter Gross	1977	Up to 2013
Esther Grether	1986	Up to 2013
Georges Nicolas Hayek	2010	Up to 2013
Prof. Dr h.c. Claude Nicollier	2005	Up to 2013
Dr. Jean-Pierre Roth	2010	Up to 2013
Ernst Tanner	1995	Up to 2013

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

### Changes in the Board of Directors

At the General Meeting of the company on May 12, 2010 Mr Georges Nicolas Hayek, President of the Executive Group Management Board of Swatch Group, and Dr Jean-Pierre Roth, former Chairman of the board of the Swiss National Bank, were elected as further members of the Board of Directors. At the General Meeting of May 12, 2010 Mrs Nayla Hayek was appointed Vice-Chairwoman of the Board of Directors.

On June 28, 2010 the company was confronted with the unexpected passing of its highly respected Chairman and Delegate of the Board of Directors. From 1986, Dr h. c. Nicolas G. Hayek shaped the fortune of the company as Chairman and Delegate of the Board of Directors. He built the group in difficult times, and over the years guided it to its current prosperity; he has given the Swatch Group its incomparable identity. At the General Meeting which took place shortly thereafter, Mrs Nayla Hayek was appointed new Chairwoman of the Board of Directors (June 30, 2010).

On October 28, 2010 Mr Johann Niklaus Schneider-Ammann resigned, because he was newly elected to the Federal Council.

### 3.5 Internal organizational structure of the Board of Directors

The Board of Directors is self-constituting. It has appointed a Chairwoman (Mrs Nayla 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 Mrs Nayla 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).

## CORPORATE GOVERNANCE

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 six 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.

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 Chairwoman). With due authorization of the Chairwoman, they may also demand direct information on individual business transactions. Should the Chairwoman 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 Chairwoman of the Board of Directors has an Audit-Team available, which she may deploy in specific cases.

## 4. Group Management

(Executive Group Management Board / Extended Group Management Board)

At 31 December 2010

### 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 and Member of the Board of Directors since 2010. 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. 1<sup>st</sup> 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.

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**Arllette-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 manages this brand which is a joint venture between the Swatch Group and Calvin Klein Inc., New York. In the years 2000 until 2010 she managed the company Dress Your Body (DYB) and from 2002 to 2009 the brand Léon Hatot. Since 2009 she manages the brand Swatch. Ms Emch 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 a member of the Board of the Colbert Committee, Paris.

**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 and Oscilloquartz. 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; since July 2010 he is a delegate of the Board of Directors of this company.

**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 and furthermore, since July 2010 for Breguet and Jaquet Droz. 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. Schlupe, 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 Basel. He has been a member of the Executive Group Management Board since 1990 and is responsible for Swatch Group South Africa and until December 31, 2010 for Rado. He joined Rado as Regional Sales Manager in 1978. He was President of Rado from 1989 until the end of 2010. 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.

## CORPORATE GOVERNANCE

### 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 Rado, Hamilton, for Swatch Group Mexico and Swatch Group Austria. Mr Breschan manages Rado since January 1, 2011. Before he managed Hamilton for seven years and worked as Area Sales Manager for three years at Swatch Telecom. Between his activity for Hamilton and Swatch Telecom 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. Mr Gamard is also responsible for the logistic planning of the Swatch Group and for the distribution logistic in Europe. 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. Previously, he was assigned to the USA as Country Manager and had worked for Swatch as person in charge of the Telecom division.

**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 Favre & Perret, 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.

**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).

## CORPORATE GOVERNANCE

**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 retirement there are no entitlements to any compensation.

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

Effective as of April 7, 2010 Mr Rudolf Semrad resigned from the Extended Group Management Board. He remains Country manager of The Swatch Group (Österreich) GmbH. Within the Extended Group Management Board Mr Matthias Breschan has assumed the responsibility for Austria.

In addition to his current responsibilities, Mr Marc Alexander Hayek has assumed the responsibility for Breguet and Jaquet Droz in July 2010. The responsibility for the prestige brands of the group therefore are in one hand.

Mr Roland Streule transferred his responsibility for Rado at the end of the year to Mr Matthias Breschan. Mr Matthias Breschan will remain responsible at the Extended Group Management Board level for Hamilton, Mexico and Austria. Mr Roland Streule remains a member of the Executive Group Management Board until his retirement at the end of 2011. Next to his responsibility for South Africa, he will receive special mandates.

### 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, as well as in the area of 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.

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### 5.2 Compensation for acting members of governing bodies

In 2010, the members of the Board of Directors received a total amount of CHF 5 028 559. The highest amount reached CHF 3 075 016. For details please refer to the table on page 207. The members of the Executive Group Management Board and the Extended Group Management Board received in 2010 an amount of CHF 31 170 974. In this category the CEO has received the highest remuneration of CHF 6 011 589. Details may be seen on the table on page 208.

#### 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 145 950 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.

With the exception of Mrs Nayla Hayek and Mr G. N. Hayek, no members of the Board of Directors 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 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 2010 may be consulted on page 209.

#### 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 2010, 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 206).

#### Pension-/Management Funds

The members of the Executive Group Management Board and of the Extended Group Management Board 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.

## CORPORATE GOVERNANCE

- 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.

### 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 2010 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PriceWaterhouseCoopers	3.5	0.3	0.2	4.0
Other Auditing Companies	1.2	1.1	1.3	3.6
<b>Total 2010</b>	<b>4.7</b>	<b>1.4</b>	<b>1.5</b>	<b>7.6</b>
Total 2009	4.9	1.6	1.4	7.9

- 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.



# CORPORATE GOVERNANCE

## 9. Information policy

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

- 19 January 2011      Turnover of 2010
- 8 February 2011    Key figures 2010
- 10 March 2011     Press conference and annual report
- 31 May 2011        General Meeting of Shareholders
- 11 August 2011     Half-year figures 2011

The information is always published in the Swiss and international press and also published and processed in the publications of leading international banks.

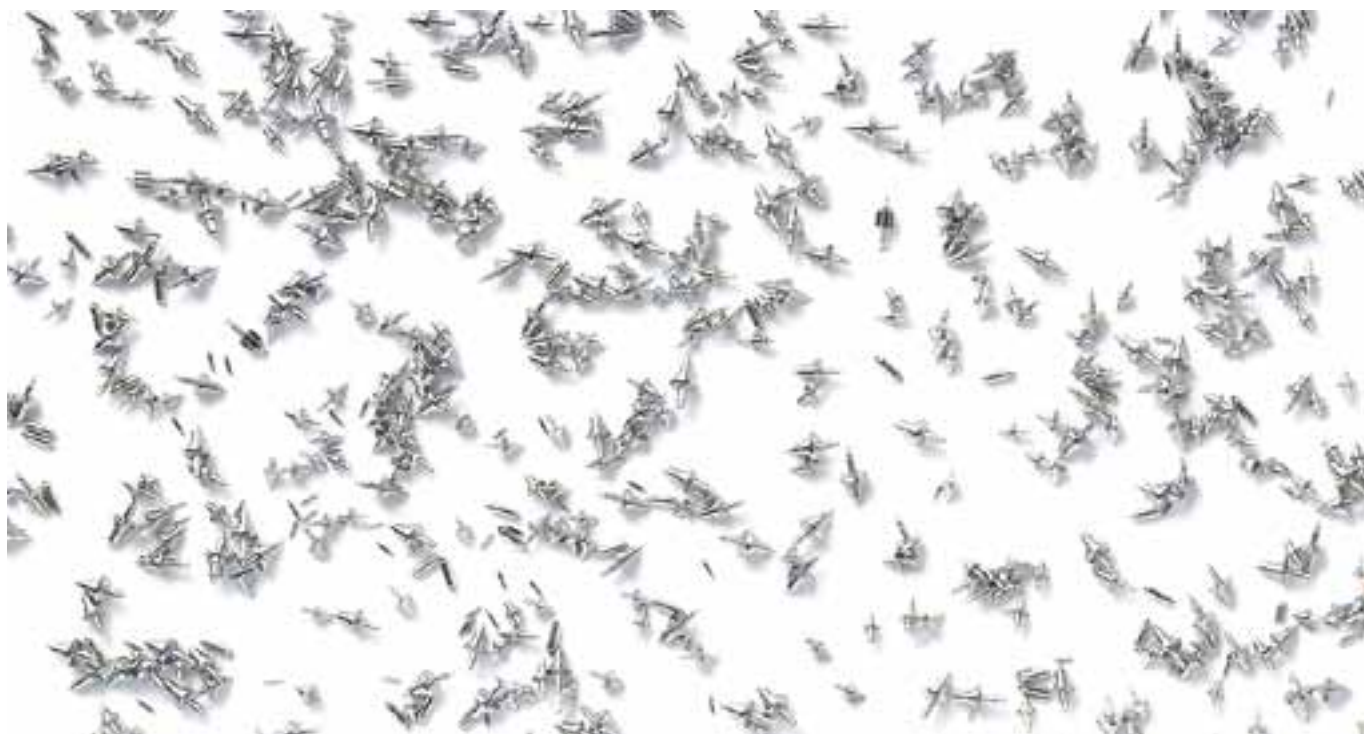
This information can also be called up on the Swatch Group website on [www.swatchgroup.com](http://www.swatchgroup.com), and especially on the «Investor Relations» chapter. Moreover, the Push-and-Pull System is available to spread announcements, including ad-hoc-announcements.

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](mailto:investor.relations@swatchgroup.com) or by fax on +41 32 343 69 16 or by telephone on +41 32 343 66 39.



# FINANCIAL STATEMENTS 2010

CONSOLIDATED FINANCIAL STATEMENTS  
FINANCIAL STATEMENTS OF THE HOLDING



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# FINANCIAL REVIEW

## Key financial developments in 2010

- **Gross sales:** Record year for the Swatch Group with Group sales of CHF 6 440 million, an increase at constant exchange rates of 21.8% over 2009 and 12.7% over the previous record year 2008, despite capacity bottlenecks and adverse exchange rates.

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- **Segments:** The extraordinary strength of our brand portfolio was again reflected in an excellent performance by the Watch segment in practically all markets and price segments, with an increase in sales at constant exchange rates of 28.1%.

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- **Operating profit:** Record operating profit of CHF 1 436 million, with an operating margin of 23.5% (versus 17.6% in 2009).

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- **Net income:** Net income of CHF 1 080 million, representing an increase of 41.5% on 2009 and of 6.4% on the record year of 2007, despite currency losses.

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- **Earnings per share:** Basic EPS of CHF 4.05 per registered share (2009: CHF 2.89) and CHF 20.27 per bearer share (2009: CHF 14.47).

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- **Dividend:** Proposed dividend increase of 25%, CHF 5.00 per bearer share (2009: CHF 4.00) and CHF 1.00 per registered share (2009: CHF 0.80).

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- **Outlook:** Promising start to 2011; prospects remain good for the year as a whole, despite the current strength of the Swiss Franc.

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## Financial review

### 1. Operating results

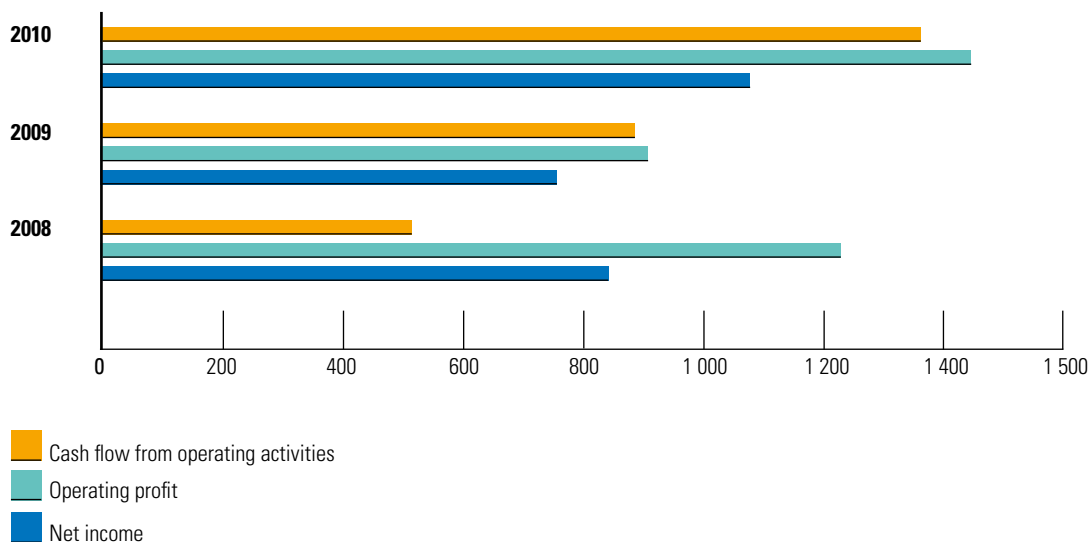
#### Key figures Group

(CHF million)	2010	2009	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>	<b>6 440</b>	5 421	+21.8%	–3.0%	+18.8%
<b>Net sales</b>	<b>6 108</b>	5 142			+18.8%
<b>Operating profit</b>	<b>1 436</b>	903			+59.0%
– in % of net sales	<b>23.5%</b>	17.6%			
<b>Net income</b>	<b>1 080</b>	763			+41.5%
– in % of net sales	<b>17.7%</b>	14.8%			
<b>Equity</b>	<b>7 101</b>	5 981			+18.7%
– as % of total assets	<b>82.4%</b>	77.6%			
<b>Average return on equity (ROE)</b>	<b>16.5%</b>	13.3%			

## FINANCIAL REVIEW

### Performance trends

(CHF million)



During 2010 the Swatch Group set new benchmarks and surpassed all previous records. With an improving economic environment and clear signs of market normalization, gross sales increased by 21.8% to CHF 6 440 million on a currency-adjusted basis. Foreign currencies had an adverse impact on sales of CHF 164 million or –3%, primarily due to the weakness of the Euro and US Dollar during the second half of 2010.

The operating margin rose from 17.6% to a strong 23.5% in the year under review, which corresponds to a record operating profit of CHF 1 436 million (CHF 903 million in 2009). This significant improvement in performance was due not least to generally higher capacity utilization and the Group's usual cost discipline. Despite significant currency losses, net income also rose to a record level of CHF 1 080 million, an increase of 41.5% on 2009.

With equity of CHF 7 101 million, and an equity ratio of 82.4%, the Swatch Group remains extremely solidly financed. In addition to net income, the conversion of the convertible bond in October 2010 totaling CHF 385 million also contributed to this renewed increase in equity. The average return on equity was a considerable 16.5% (13.3% in 2009). Operating cash flow has also increased significantly. The Group can draw on high cash reserves, thus keeping all options open. As a result of the expansion of production capacities as well as the expansion in the retail sector, Swatch Group created 1 600 new jobs during the past year, increasing its number of employees to more than 25 000 worldwide.

The Board of Directors of the Swatch Group will propose the following dividend for 2010 to the Annual General Meeting on 31 May 2011: CHF 5.00 per bearer share and CHF 1.00 per registered share. This increase in the dividend payment to shareholders of 25% versus 2009 is a result of the record results achieved in 2010 and underlines the optimistic outlook for business performance going forward in 2011.

## FINANCIAL REVIEW

### Segment performance

#### Watches & Jewelry

(CHF million)	2010	2009	Change in %		Total	2009
			at constant rates	currency effect		
		restated *				
<b>Gross sales</b>						
– Third parties	<b>5 528</b>	4 440				4 426
– Group	<b>4</b>	4				3
– Total	<b>5 532</b>	4 444	+28.1%	–3.6%	+24.5%	4 429
<b>Net sales</b>	<b>5 225</b>	4 202			+24.3%	4 187
<b>Operating profit</b>	<b>1 221</b>	802			+52.2%	804
– in % of net sales	<b>23.4%</b>	19.1%				19.2%

\* restated following integration of Piguet activities (Production segment) into Manufacture Blancpain (segment Watches & Jewelry)

The Swatch Group delivered another impressive performance in its core Watches and Jewelry segment in the 2010 financial year. Gross sales reached CHF 5 532 million, which at constant exchange rates represents an increase of 28.1% over 2009 and 20.7% over the previous record year of 2008. This performance is again better than the export figures published by the Swiss Watch Federation for 2010. The significant double-digit growth rates were not only achieved for the luxury brands, but across the board in all price segments. All geographic regions contributed to this growth, with Asia clearly leading the way.

The segment's operating profit increased by an above-average 52.2% to CHF 1 221 million, corresponding to an operating margin of 23.4% (versus 19.1% in 2009). In addition to the volume effect, selective price adjustments and various efficiency enhancements were responsible for these margin improvements. However, no cost cutting was made at the expense of marketing activities. These targeted investments in the brands, together with the further expansion of retail activities, will secure the Group's long-term growth.

## FINANCIAL REVIEW

### Production

(CHF million)	2010	2009	Change in %			2009
		restated *	at constant rates	currency effect	Total	as reported
<b>Gross sales</b>						
– Third parties	488	594				608
– Group	1 051	838				881
– Total	1 539	1 432	+7.8%	–0.3%	+7.5%	1 489
<b>Net sales</b>	1 487	1 373			+8.3%	1 429
<b>Operating profit</b>	169	96			+76.0%	94
– in % of net sales	11.4%	7.0%				6.6%

\* restated following integration of Piguet activities (Production segment) into Manufacture Blancpain (segment Watches & Jewelry)

The Production segment generated gross sales of CHF 1 539 million in 2010, an increase of 7.5% versus 2009. The extremely strong growth in the watch segment impacted positively on orders received and sales in the production segment with the usual time lag. This boosted capacity utilization to a greater extent and faster than expected, which in turn led to bottlenecks in certain areas. The Group's clear commitment to preserving jobs worldwide during the financial crisis proved to be very positive, given this strong upturn.

The higher volumes also had a positive effect on the segment's profitability. Operating profit increased by 76% to CHF 169 million, corresponding to an operating margin of 11.4% (versus 7% in 2009). Increased costs for various raw materials prevented an even better performance.

The largely full order books signal further double-digit growth for 2011. Further investments will also be made in order to ensure sufficient production capacities over the mid to long term. Examples of this are the planned new production sites in Boncourt (Canton Jura) and the expansion of production facilities in La Chaux-de-Fonds (Canton Neuchâtel).

## FINANCIAL REVIEW

### Electronic Systems

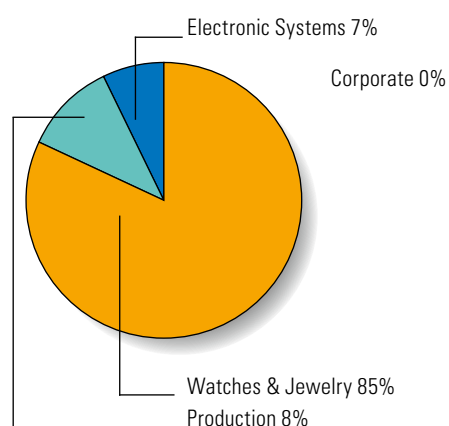
(CHF million)	2010	2009	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>					
– Third parties	416	380			
– Group	24	14			
– Total	440	394	+12.2%	–0.5%	+11.7%
<b>Net sales</b>	436	391			+11.5%
<b>Operating profit</b>	57	24			+137.5%
– in % of net sales	13.1%	6.1%			

The market environment for the electronic systems segment improved during 2010 in the wake of the general economic recovery. The segment's gross sales rose to CHF 440 million, +11.7% versus 2009. With the divestment of the stepping motor manufacturing unit of Microcomponents and the sale of its subsidiary Lasag, the Swatch Group continued its strategy of focusing on core business.

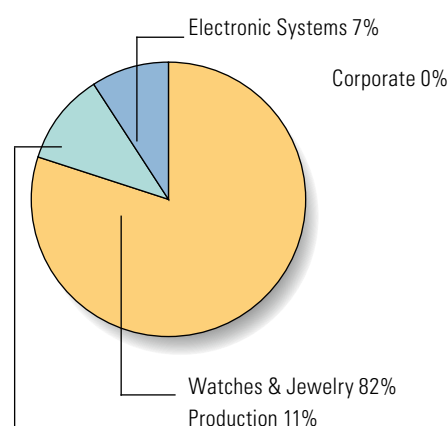
The segment's operating profit reached CHF 57 million in the year under review, which represents an operating margin of 13.1% (versus 6.1% in 2009). The order entries registered at the end of 2010 and the beginning of 2011 mean that further growth can also be expected in the electronic systems segment.

### Segment share of net sales

2010



2009

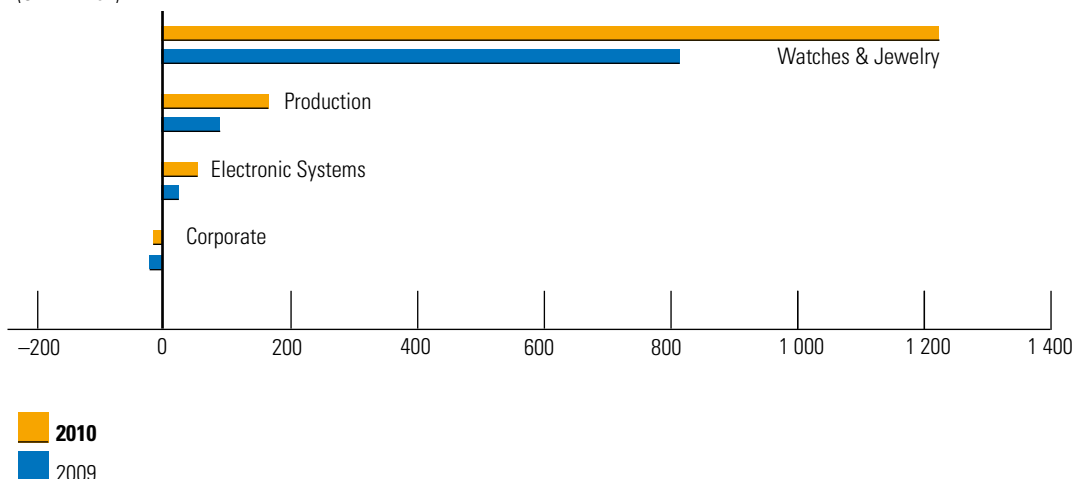




## FINANCIAL REVIEW

### Segment share of operating profit

(CHF million)



### Financial result

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

(CHF million)	2010	2009
Interest income	4	4
Result from marketable securities and derivatives	30	58
Share of result from associates and joint ventures	9	5
Net currency result	-73	0
Interest expense and other financial expense	-8	-21
<b>Total net financial result</b>	<b>-38</b>	46

The extremely volatile foreign currency development in 2010, especially with the weak Euro, US Dollar and other Dollar related currencies, resulted in net currency losses for the Group of CHF 73 million (compared to a neutral net currency result in 2009). Despite a positive result from marketable securities and derivatives of CHF 30 million, a lower interest expense and an improved share of result from associates and joint ventures, the net financial result for the year 2010 was a loss of CHF 38 million. Depending on the foreign currencies and given the fact 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.

### Income tax

An analysis of the income tax charge is set out in Note 7 to the consolidated financial statements. The Group's effective tax rate increased from 19.6% in the previous year to 22.8% in the current year, which is partly due to an increased profitability of various Group companies and to higher income tax rates in certain countries.

### Proposed dividend

At the General Meeting on 31 May 2011, a dividend for the financial year 2010 of CHF 1.00 (2009: CHF 0.80) for registered shares and CHF 5.00 (2009: CHF 4.00) for bearer shares will be proposed. This dividend, totalling CHF 278 million with an expected cash-out impact of CHF 270 million, is not recognized as a liability in the consolidated financial statements at 31 December 2010.

### Earnings per share

Basic earnings per share increased in the current year by 40% to CHF 4.05 (CHF 2.89 in 2009) for registered shares and CHF 20.27 (CHF 14.47 in 2009) for bearer shares respectively. The strong increase in net income compares to a slightly higher average number of shares, which is mainly due to the conversion of the convertible bond into registered shares in October 2010. 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 the record year 2010, the Group realized a strongly improved operating cash flow of CHF 1 353 million (2009: CHF 890 million). Net investing activities were higher than in 2009, mainly due to increased investments in tangible assets, purchases of marketable securities as well as investments in subsidiaries and associates. The dividend was again the main item in the cash flow from financing activities. Overall, the Group's cash position increased in 2010 by CHF 727 million and achieved CHF 1 825 million at year-end.

#### Asset and capital structure

The consolidated balance sheet continues to remain very solid. The record net income as well as the conversion of the convertible bond in October 2010 were the main factors that contributed to a further improvement of the Group's equity ratio to 82.4% (compared to 77.6% in 2009). Current liabilities are covered by current assets by a factor of 6.1 (4.4 in 2009).

### 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)	2010		2009	
Overall Group performance	<b>6 690</b>	<b>100.0%</b>	5 435	100.0%
Material and services	<b>3 431</b>	<b>51.3%</b>	2 653	48.8%
Depreciation	<b>222</b>	<b>3.3%</b>	220	4.0%
<b>Net added value</b>	<b>3 037</b>	<b>45.4%</b>	2 562	47.2%
% change	<b>18.5</b>		-3.7	

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

(CHF million)	2010		2009	
Employees	<b>1 634</b>	<b>53.8%</b>	1 596	62.3%
Public authorities	<b>318</b>	<b>10.5%</b>	186	7.3%
Lenders	<b>5</b>	<b>0.2%</b>	18	0.7%
Shareholders	<b>213</b>	<b>7.0%</b>	226	8.8%
Company	<b>867</b>	<b>28.5%</b>	536	20.9%
<b>Total</b>	<b>3 037</b>	<b>100.0%</b>	2 562	100.0%

### 4. Outlook

The strong uptrend seen in 2010 was confirmed again in January 2011. The current outlook for 2011 appears positive, despite the unfavorable currency constellation at present, particularly the US Dollar and the Euro against the Swiss Franc. The Board of Directors and Executive Group Management Board of the Swatch Group will continue to pursue a clear and healthy organic growth strategy in this very positive environment, with the objective of achieving sales of ten billion Swiss Francs in the medium term.

Thanks to very motivated employees, the strong geographic presence of the brands in all of the world's major markets and its comprehensive coverage of all market price segments, the Group is optimally placed to achieve this goal. In addition, further investments in research and development will generate innovations and products, which can be introduced to the public on an ongoing basis, some as soon as this year's trade fair in Basel. To ensure the continuation of the Group's sustainable growth, further targeted investments will be made in the already comprehensive and efficient distribution network and, as already mentioned, in the expansion of production capacities. Thanks to its very solid starting point as regards equity and liquidity, the Group will be able to exploit interesting opportunities to increase its market share and presence.

## CONSOLIDATED INCOME STATEMENT

	Notes	2010		2009	
		CHF million	%	CHF million	%
Gross sales		6 440	105.4	5 421	105.4
Sales reductions		-332	-5.4	-279	-5.4
<b>Net sales</b>	(5, 6a)	<b>6 108</b>	<b>100.0</b>	5 142	100.0
Other operating income	(6b)	139	2.3	104	2.0
Changes in inventories		197	3.2	9	0.2
Material purchases		-1 471	-24.1	-1 103	-21.4
Personnel expense	(6c)	-1 634	-26.8	-1 596	-31.0
Other operating expenses	(6d)	-1 681	-27.5	-1 433	-27.9
Depreciation, amortization and impairment charges	(10, 11, 12, 18)	-222	-3.6	-220	-4.3
<b>Operating profit</b>		<b>1 436</b>	<b>23.5</b>	903	17.6
Other financial income and expense	(6f)	-42	-0.6	59	1.2
Interest expense	(6f)	-5	-0.1	-18	-0.4
Share of result from associates and joint ventures	(6f, 13)	9	0.1	5	0.1
<b>Profit before taxes</b>		<b>1 398</b>	<b>22.9</b>	949	18.5
Income taxes	(7a)	-318	-5.2	-186	-3.7
<b>Net income</b>		<b>1 080</b>	<b>17.7</b>	763	14.8
Attributable to equity holders of The Swatch Group Ltd		1 074		759	
Attributable to non-controlling interests		6		4	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>	(8)				
<b>Registered shares</b>					
Basic EPS		4.05		2.89	
Diluted EPS		3.97		2.85	
<b>Bearer shares</b>					
Basic EPS		20.27		14.47	
Diluted EPS		19.83		14.26	

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
	CHF million	CHF million
<b>Net income</b>	<b>1 080</b>	<b>763</b>
<b>Other comprehensive income</b>		
Currency translation of foreign operations	-138	-16
Income tax relating to currency translation	0	0
<b>Other comprehensive income, net of tax</b>	<b>-138</b>	<b>-16</b>
<b>Total comprehensive income, net of tax</b>	<b>942</b>	<b>747</b>
Attributable to equity holders of The Swatch Group Ltd	936	743
Attributable to non-controlling interests	6	4

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

**CONSOLIDATED BALANCE SHEET**

Assets	Notes	31.12.2010		31.12.2009	
		CHF million	%	CHF million	%
<b>Non-current assets</b>					
Property, plant and equipment	(10)	1 488	17.3	1 460	18.9
Investment property	(11)	41	0.5	39	0.5
Intangible assets	(12)	317	3.7	320	4.2
Investments in associates and joint ventures	(13)	169	1.9	139	1.8
Other non-current assets	(15)	145	1.7	125	1.6
Deferred tax assets	(7d)	219	2.5	209	2.7
<b>Total non-current assets</b>		<b>2 379</b>	<b>27.6</b>	<b>2 292</b>	<b>29.7</b>
<b>Current assets</b>					
Inventories	(16)	2 869	33.3	2 743	35.6
Trade receivables	(17)	716	8.3	761	9.9
Other current assets	(18)	269	3.1	241	3.1
Current income tax assets	(7c)	12	0.2	24	0.3
Marketable securities and derivative financial instruments	(19)	542	6.3	547	7.1
Cash and cash equivalents	(20)	1 827	21.2	1 098	14.3
<b>Total current assets</b>		<b>6 235</b>	<b>72.4</b>	<b>5 414</b>	<b>70.3</b>
<b>Total assets</b>		<b>8 614</b>	<b>100.0</b>	<b>7 706</b>	<b>100.0</b>

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

**CONSOLIDATED BALANCE SHEET**

<b>Equity and liabilities</b>	Notes	<b>31.12.2010</b>	<b>%</b>	31.12.2009	<b>%</b>
		<b>CHF million</b>		CHF million	
<b>Equity</b>					
Share capital	(21a)	125		125	
Capital reserves		213		213	
Treasury shares	(21b)	-293		-629	
Other reserves	(21c)	-286		-133	
Retained earnings		7 328		6 389	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>7 087</b>	<b>82.3</b>	5 965	77.4
Non-controlling interests		14	0.1	16	0.2
<b>Total equity</b>		<b>7 101</b>	<b>82.4</b>	5 981	77.6
<b>Non-current liabilities</b>					
Financial debts	(22)	77	0.9	80	1.0
Deferred tax liabilities	(7d)	353	4.1	337	4.4
Retirement benefit obligations	(23)	26	0.3	27	0.4
Provisions	(24)	37	0.4	40	0.5
<b>Total non-current liabilities</b>		<b>493</b>	<b>5.7</b>	484	6.3
<b>Current liabilities</b>					
Trade payables		291	3.4	238	3.1
Other current liabilities	(25)	479	5.6	429	5.5
Financial debts and derivative financial instruments	(22)	31	0.4	438	5.7
Current income tax liabilities	(7c)	156	1.8	76	1.0
Provisions	(24)	63	0.7	60	0.8
<b>Total current liabilities</b>		<b>1 020</b>	<b>11.9</b>	1 241	16.1
<b>Total liabilities</b>		<b>1 513</b>	<b>17.6</b>	1 725	22.4
<b>Total equity and liabilities</b>		<b>8 614</b>	<b>100.0</b>	7 706	100.0

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010 CHF million	2009 CHF million
<b>Operating activities</b>			
Net income		1 080	763
Reversal of non-cash items	(27a)	558	366
Changes in working capital and other items included in operating cash flow	(27b)	-63	7
Dividends received from associated companies		2	2
Interest paid		-5	-15
Interest received		6	4
Income tax paid	(7c)	-225	-237
<b>Cash flow from operating activities</b>		<b>1 353</b>	<b>890</b>
<b>Investing activities</b>			
Investments in tangible assets	(10, 11)	-265	-220
Proceeds from sale of tangible assets		10	5
Investments in intangible assets	(12)	-26	-25
Proceeds from sale of intangible assets		5	0
Investments in other non-current assets	(15)	-10	-7
Proceeds from sale of other non-current assets		4	1
Acquisition of subsidiaries – net of cash	(14)	-4	-2
Divestments of businesses	(14)	12	0
Investments in associated companies and joint ventures	(13)	-30	-12
Purchase of marketable securities		-246	-149
Sale of marketable securities		221	174
<b>Cash flow from investing activities</b>		<b>-329</b>	<b>-235</b>
<b>Financing activities</b>			
Dividend paid to shareholders	(9)	-210	-223
Dividend paid to non-controlling interests		-3	-3
Sale of treasury shares		1	1
Change in non-current financial debts		-5	-11
Change in current financial debts		-27	3
Repurchase of convertible bonds	(22)	0	-2
Repurchase of non-controlling interests	(14)	-5	0
<b>Cash flow from financing activities</b>		<b>-249</b>	<b>-235</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>-48</b>	<b>-2</b>
<b>Change in cash and cash equivalents</b>		<b>727</b>	<b>418</b>
<b>Change in cash and cash equivalents</b>			
– At beginning of year		1 098	680
– At end of year	(20)	1 825	1 098

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(CHF million)	Attributable to The Swatch Group Ltd shareholders					Total	Non-controlling interests	Total equity
	Share capital (Note 21)	Capital reserves	Treasury shares (Note 21)	Other reserves (Note 21)	Retained earnings			
<b>Balance at 31.12.2008</b>	<b>125</b>	<b>213</b>	<b>-629</b>	<b>-117</b>	<b>5 844</b>	<b>5 436</b>	<b>15</b>	<b>5 451</b>
<b>Total comprehensive income 2009</b>				-16	759	<b>743</b>	4	<b>747</b>
Dividends paid					-223	<b>-223</b>	-3	<b>-226</b>
Share-based compensation (Note 28):								
– Value of employee services (net of tax)					8	<b>8</b>		<b>8</b>
– Proceeds from sale of shares					1	<b>1</b>		<b>1</b>
<b>Balance at 31.12.2009</b>	<b>125</b>	<b>213</b>	<b>-629</b>	<b>-133</b>	<b>6 389</b>	<b>5 965</b>	<b>16</b>	<b>5 981</b>
<b>Total comprehensive income 2010</b>				-138	1 074	<b>936</b>	6	<b>942</b>
Dividends paid					-210	<b>-210</b>	-3	<b>-213</b>
Share-based compensation (Note 28):								
– Value of employee services (net of tax)					10	<b>10</b>		<b>10</b>
– Proceeds from sale of shares					1	<b>1</b>		<b>1</b>
Conversion of convertible bond at maturity (Note 22)			336	-15	64	<b>385</b>		<b>385</b>
Changes in non-controlling interests (Note 14)						<b>0</b>	-5	<b>-5</b>
<b>Balance at 31.12.2010</b>	<b>125</b>	<b>213</b>	<b>-293</b>	<b>-286</b>	<b>7 328</b>	<b>7 087</b>	<b>14</b>	<b>7 101</b>

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 headquarters are in Biel, Seedorf 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 by the end of February 2011 and will be submitted to the Annual General Meeting of Shareholders for approval on 31 May 2011.

## 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 acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 2010, the Group's consolidated financial statements included 159 legal entities (compared with 162 in the previous year), of which two were joint ventures (one in 2009) and seven were associates (seven in 2009). 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 2010. The principal effects of these changes in policies are described below.

#### **IFRS 3 (revised) Business combinations and IAS 27 (revised) Consolidated and separate financial statements**

The revised standards are applicable to business combinations of the Group for which the acquisition date is on or after 1 January 2010. 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. As there were no significant transactions in 2010, the changes did not materially affect the figures of the financial year 2010.

The following amended standards and new interpretations are mandatory for the first time for accounting periods beginning on or after 1 January 2010, but have no material impact or are currently not relevant for the Group:

- 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)
- Improvements to IFRSs 2009 (effective from 1 January 2010)

#### **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 2010 that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but which the Group has not early adopted.

The principal expected effects of these changes are as follows:

#### **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 instruments and the contractual characteristics of the financial instruments. The Group will early adopt this standard on 1 January 2011 without restatement of the prior-year period (in accordance with the transitional requirements of the standard). The impact on the consolidated financial statements will not be significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 12 (amendment) Income taxes - Deferred tax: Recovery of underlying assets (effective from 1 January 2012)
- IAS 24 (amendment) Related party disclosures (effective from 1 January 2011)
- IFRIC 14 (amendment) Prepayments of a minimum funding requirement (effective from 1 January 2011)
- IFRIC 19 Extinguishing financial liabilities with equity instruments (effective from 1 July 2010)
- Improvements to IFRSs 2010 - various standards (effective mostly from 1 January 2011)

### 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 other comprehensive income 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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The main exchange rates used are:

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2010	31.12.2010	2009	31.12.2009
		CHF	CHF	CHF	CHF
CNY	1	0.1544	0.1425	0.1595	0.1521
EUR	1	1.3754	1.2540	1.5122	1.4880
HKD	1	0.1345	0.1210	0.1406	0.1339
JPY	100	1.1980	1.1540	1.1662	1.1215
USD	1	1.0443	0.9400	1.0893	1.0380

### 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	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### 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 - for example, goodwill or intangible assets not yet ready for use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization as well as tangible 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:

(CHF million)	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Security deposits (Note 15)	29	29	28	28
Other financial assets (Note 15)	5	5	5	5
Trade receivables (Note 17)	716	716	761	761
Other current receivables (Note 18)	113	113	87	87
<b>Loans and receivables</b>	<b>863</b>	<b>863</b>	881	881
Marketable securities designated as FVTPL	18	18	16	16
Marketable securities held-for-trading	520	520	528	528
Derivative financial assets	4	4	3	3
<b>Financial assets at fair value (Note 19)</b>	<b>542</b>	<b>542</b>	547	547
Cash and cash equivalents (Note 20)	1 827	1 827	1 098	1 098
<b>Cash and cash equivalents</b>	<b>1 827</b>	<b>1 827</b>	1 098	1 098
<b>Total financial assets</b>	<b>3 232</b>	<b>3 232</b>	2 526	2 526

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(CHF million)	31.12.2010				31.12.2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable securities designated as FVTPL	5	0	13	18	4	0	12	16
Marketable securities held-for-trading	520	0	0	520	528	0	0	528
<b>Marketable securities at fair value</b>	<b>525</b>	<b>0</b>	<b>13</b>	<b>538</b>	532	0	12	544
<b>Derivative financial assets</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	0	3	0	3
<b>Financial assets at fair value</b>	<b>525</b>	<b>4</b>	<b>13</b>	<b>542</b>	532	3	12	547

In 2010 and 2009, there were no material purchases, sales or transfers of financial assets at fair value categorized in level 3.

### i. 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 recognized 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)	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial debts (Note 22)	77	78	80	82
Trade payables	291	291	238	238
Other current payables (Note 25)	101	101	82	82
Current financial debts (Note 22)	31	31	437	445
<b>Financial liabilities measured at amortized cost</b>	<b>500</b>	<b>501</b>	<b>837</b>	<b>847</b>
Derivative financial instruments (Note 22)	0	0	1	1
<b>Financial liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Total financial liabilities</b>	<b>500</b>	<b>501</b>	<b>838</b>	<b>848</b>

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 can hedge cash flows of forecasted intragroup transactions. In this case, 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

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### 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 substantively 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 substantively 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### 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.

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 may also use 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, derivatives, 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:

Currency	31.12.2010			31.12.2009		
	Change on	Income statement		Change on	Income statement	
	exchange rate	CHF million		exchange rate	CHF million	
	+ / -	+	-	+ / -	+	-
CNY / CHF	5%	3	-3	5%	1	-2
EUR / CHF	5%	12	-8	5%	10	-7
HKD / CHF	5%	0	0	5%	1	-1
JPY / CHF	5%	1	0	5%	1	1
USD / CHF	5%	5	-5	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. In 2010 and 2009, over 80% of the Group's equity investments were related to shares listed on a main index (SMI/SPI, Dow Jones EURO STOXX 50, S&P 500, Nikkei).

### 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.

Index	31.12.2010			31.12.2009		
	Change on	Income statement		Change on	Income statement	
	index	CHF million		index	CHF million	
	+ / -	+	-	+ / -	+	-
Dow Jones EURO STOXX 50	5%	2	-2	5%	2	-2
SMI + SPI	5%	3	-3	5%	4	-4

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.

### 1.3 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 2010, an increase of interest rates by 100 basis points would have reduced Group profit after tax by CHF 11 million (2009: 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 11 million (2009: CHF 9 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2010, over 95% of investments in bonds were investment grade rated (2009: over 90%). An exception in the overall fixed income management is the high yield portfolio, which amounted to approximately CHF 10 million in 2010 (2009: about CHF 35 million). 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.

### 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)	31.12.2010	31.12.2009
Cash and cash equivalents	1 827	1 098
Marketable securities	538	544
<b>Liquidity reserves</b>	<b>2 365</b>	<b>1 642</b>
Committed credit facilities	405	418
./ Utilized credit facilities	-103	-127
<b>Total liquidity reserves and non-utilized credit facilities</b>	<b>2 667</b>	<b>1 933</b>

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	31	56
Trade payables	291		
Other current payables	101		
Current financial debts	31		
Derivative financial instruments	0		
<b>Total at 31.12.2010</b>	<b>425</b>	<b>31</b>	<b>56</b>
Non-current financial debts	2	5	86
Trade payables	238		
Other current payables	82		
Current financial debts	447		
Derivative financial instruments	1		
Total at 31.12.2009	770	5	86

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b. Capital management

The primary objective of the Group with regard to capital management is to preserve 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 2010, equity represented 82.4% (31 December 2009: 77.6%) 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 preserve 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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain 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. Actual results may differ from these estimates. Management continuously reviews and - if necessary - adapts the estimates and underlying assumptions. Any changes are recognized in the period in which the estimate is revised.

### a. Critical accounting estimates and judgments

The key estimates and assumptions about the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described below.

#### Inventory abatements

At 31 December 2010, inventories total CHF 2 869 million, as set out in Note 16. In determining net realizable values of inventory, management needs to assess whether or not inventory abatements are required. Estimates are made for spare parts used in customer service as well as for some watch components and finished goods in order to determine a realistic value for these inventory items. In 2010, the Group recorded write-downs of CHF 24 million. Unexpected changes in fashion, technology and customer needs could lead to situations where the actual inventory abatements would need to be modified.

#### 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. At 31 December 2010, gross trade receivables amounted to CHF 735 million and the allowance for impaired receivables to CHF 19 million (see Note 17). Unexpected financial problems of major customers could lead to a situation where the recorded allowance is insufficient.

#### Impairment of assets

The Group has property, plant and equipment with a carrying value of CHF 1 488 million as disclosed in Note 10, and intangible assets (including goodwill) amounting to CHF 317 million (see Note 12). All of these assets are reviewed for impairment as described in Note 2j. To assess whether any impairment may exist, impairment tests are made based on future cash flows and the economic benefits of the assets. Actual outcomes could vary significantly from such estimates. Changes in factors such as the planned use of fixed assets, technology or market development could lead to different economic values. In the period under review, no significant impairments had to be recorded.

#### Warranty claims

The Group generally offers a two-year warranty for watches. The related provision for anticipated warranty claims amounts to CHF 74 million, as disclosed in Note 24. Management estimates this provision 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. Legal provisions at 31 December 2010 total CHF 7 million (see Note 24). Management estimated the outcome of these lawsuits on the basis of currently available information. However, there are inherent risks within legal claims depending on court and adversary party behaviour and opinion. 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 fully 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.

### 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 and interpretations 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 rely on exogenous factors and therefore include some uncertainties, which in a negative scenario could lead to additional tax liabilities 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.

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

In the process of applying the Group's accounting policies, management may be required to make judgments, apart from those involving estimates, which can have a significant effect on the amounts recognized in the consolidated financial statements. These include, but are not limited to, the following:

#### Consolidation of subsidiaries and associates

The Group sometimes undertakes transactions that may involve obtaining the right to control or significantly influence the operations of other entities. Such transactions include the acquisition of a part or 100% of the equity of other entities (share deal) or the purchase of net assets of other entities (asset deal). In such cases, management makes an assessment as to whether the Group has the right to control or significantly influence the other entities' operations. Based on this judgment, the stake in the new entity can be fully consolidated, considered an associate or treated as a financial investment. In making this judgment, management considers the underlying economic substance of the transaction and not only the contractual terms.

#### Business combinations

Where the Group acquires control of another business, the consideration transferred needs to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process requires an assessment of the fair value of items such as intangible assets, contingencies or existing tax losses. In all cases, management makes an assessment based on the underlying economic substance of the items in question, and not only on the contractual terms, in order to fairly present these items.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. Segment information

### a. Operating segment information

#### Income statement

2010 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
– Third parties	5 528	488	416	8		6 440
– Group	4	1 051	24	3	–1 082	0
<b>Gross sales</b>	<b>5 532</b>	<b>1 539</b>	<b>440</b>	<b>11</b>	<b>–1 082</b>	<b>6 440</b>
– Third parties	5 221	467	412	8		6 108
– Group	4	1 020	24	3	–1 051	0
<b>Net sales</b>	<b>5 225</b>	<b>1 487</b>	<b>436</b>	<b>11</b>	<b>–1 051</b>	<b>6 108</b>
<b>Operating profit</b>	<b>1 221</b>	<b>169</b>	<b>57</b>	<b>–11</b>		<b>1 436</b>
– As a % of net sales	23.4	11.4	13.1			23.5
– As a % of total	85.0	11.8	4.0	–0.8		100.0

2009 (CHF million)	Watches & Jewelry *	Production *	Electronic Systems	Corporate	Elimination	Total
– Third parties	4 440	594	380	7		5 421
– Group	4	838	14	4	–860	0
<b>Gross sales</b>	<b>4 444</b>	<b>1 432</b>	<b>394</b>	<b>11</b>	<b>–860</b>	<b>5 421</b>
– Third parties	4 198	562	377	5		5 142
– Group	4	811	14	4	–833	0
<b>Net sales</b>	<b>4 202</b>	<b>1 373</b>	<b>391</b>	<b>9</b>	<b>–833</b>	<b>5 142</b>
<b>Operating profit</b>	<b>802</b>	<b>96</b>	<b>24</b>	<b>–19</b>		<b>903</b>
– As a % of net sales	19.1	7.0	6.1			17.6
– As a % of total	88.8	10.6	2.7	–2.1		100.0

\* restated following integration of Piguët activities (Production segment) into Manufacture Blancpain (segment Watches & Jewelry)

#### Balance sheet and other information

2010 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>						
– Segment assets	5 057	1 701	623	3 095	–2 031	8 445
– Equity in associated companies and joint ventures	5			164		169
<b>Total assets</b>	<b>5 062</b>	<b>1 701</b>	<b>623</b>	<b>3 259</b>	<b>–2 031</b>	<b>8 614</b>
<b>Total liabilities</b>	<b>–1 761</b>	<b>–586</b>	<b>–99</b>	<b>–1 098</b>	<b>2 031</b>	<b>–1 513</b>
<b>Net assets</b>	<b>3 301</b>	<b>1 115</b>	<b>524</b>	<b>2 161</b>	<b>0</b>	<b>7 101</b>

#### Other information

Capital expenditure	131	126	10	24		291
Depreciation on tangible assets	–64	–106	–29	–7		–206
Amortization on intangible assets	–9	–4	–2	–1		–16
Impairment charges	0	0	0	0		0
Interest income	4	0	0	12	–12	4
Interest expenses	–11	–3	–1	–2	12	–5
Share of result from associates and joint ventures	1	0	0	8		9
Income taxes	–268	–37	–7	–6		–318

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2009 (CHF million)	Watches & Jewelry *	Production *	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>						
– Segment assets	4 517	1 568	695	2 523	–1 736	7 567
– Equity in associated companies and joint ventures				139		139
<b>Total assets</b>	<b>4 517</b>	<b>1 568</b>	<b>695</b>	<b>2 662</b>	<b>–1 736</b>	<b>7 706</b>
<b>Total liabilities</b>	<b>–1 609</b>	<b>–530</b>	<b>–153</b>	<b>–1 169</b>	<b>1 736</b>	<b>–1 725</b>
<b>Net assets</b>	<b>2 908</b>	<b>1 038</b>	<b>542</b>	<b>1 493</b>	<b>0</b>	<b>5 981</b>
<b>Other information</b>						
Capital expenditure	84	116	24	25		249
Depreciation on tangible assets	–64	–106	–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

\* restated following integration of Piguet activities (Production segment) into Manufacture Blancpain (segment Watches & Jewelry)

### b. Information on geographical regions

(CHF million)	2010		2009	
	Net sales	Non-current assets	Net sales	Non-current assets
Switzerland	892	1 417	914	1 378
Other Europe	1 520	229	1 412	259
<b>Total Europe</b>	<b>2 412</b>	<b>1 646</b>	<b>2 326</b>	<b>1 637</b>
Greater China	2 037	156	1 430	121
Other Asia	1 062	234	843	236
<b>Total Asia</b>	<b>3 099</b>	<b>390</b>	<b>2 273</b>	<b>357</b>
Total America	478	31	424	20
Total Oceania	70	2	71	2
Total Africa	49	3	48	3
<b>Total</b>	<b>6 108</b>	<b>2 072</b>	<b>5 142</b>	<b>2 019</b>

Non current assets under the caption "Other Asia" include CHF 197 million (previous year CHF 197 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

<b>a. Analysis of sales revenue</b>	(CHF million)	<b>2010</b>	2009
Sale of goods		<b>6 052</b>	5 109
Rendering of services		<b>56</b>	33
<b>Total net sales</b>		<b>6 108</b>	5 142

**b. Other operating income** In 2010, other operating income amounted to CHF 139 million (2009: CHF 104 million). The increase is mainly due to the timekeeping services rendered in 2010 for the Olympics.

<b>c. Personnel expense</b>	(CHF million)	<b>2010</b>	2009
Wages and salaries		<b>1 355</b>	1 316
Social security costs		<b>220</b>	213
Share-based compensation (Note 28)		<b>10</b>	8
Pension costs – defined benefit plans (Note 23)		<b>43</b>	53
Pension costs – defined contribution plans (Note 23)		<b>6</b>	6
Other post-employment benefits (Note 23)		<b>0</b>	0
<b>Total personnel expense</b>		<b>1 634</b>	1 596

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

(Unaudited)	<b>2010</b>	2009
<b>Average annual headcount</b>	<b>24 240</b>	23 727
<b>Total headcount at 31 December</b>	<b>25 197</b>	23 562
Men	<b>11 276</b>	10 703
Women	<b>13 921</b>	12 859
Swiss contracts	<b>13 357</b>	12 766
Non-Swiss contracts	<b>11 840</b>	10 796

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

<b>d. Other operating expenses</b>	(CHF million)	<b>2010</b>	2009
Marketing, sales and administration		<b>863</b>	775
Subcontracting and other direct costs of sales		<b>281</b>	250
Maintenance, rents and energy		<b>426</b>	374
Other operating expenses		<b>111</b>	34
<b>Total other operating expenses</b>		<b>1 681</b>	1 433

**e. Research and development costs** Research and development (R&D) costs amounted to CHF 151 million in 2010, representing 2.5% of net sales (compared with CHF 149 million or 2.9% in 2009).

<b>f. Net financial result</b>	(CHF million)	<b>2010</b>	2009
Interest income		<b>4</b>	4
Result from marketable securities designated as FVTPL		<b>2</b>	–3
Result from marketable securities held-for-trading and derivatives		<b>28</b>	61
Net currency result		<b>–73</b>	0
Other financial expense		<b>–3</b>	–3
<b>Other financial income and expense</b>		<b>–42</b>	59
Interest on convertible bond		<b>0</b>	–13
Other interest		<b>–5</b>	–5
<b>Interest expense</b>		<b>–5</b>	–18
<b>Share of result from associates and joint ventures</b>		<b>9</b>	5
<b>Net financial result</b>		<b>–38</b>	46

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. Income taxes

a. Income tax expenses	(CHF million)	2010	2009
Current income taxes		320	199
Adjustments recognized for current income taxes of prior periods		1	-2
Deferred taxes		-3	-11
<b>Total income taxes</b>		<b>318</b>	<b>186</b>

### 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.

	2010	2009
	%	%
Group's average expected tax rate	21.4	19.6
Tax effect of:		
– Change in the applicable tax rate on temporary differences	-0.1	-0.1
– Recognition of tax losses not recognized in prior years	0.0	0.0
– Utilization of previously unrecognized tax losses	-0.1	-0.1
– Unrecognized current year tax losses	1.0	1.2
– Non-taxable income	-0.2	-0.3
– Non-tax-deductible expenses	0.7	0.3
– Items taxable at reduced rates	-0.4	-0.4
– Adjustments recognized for current taxes of prior periods	0.1	-0.2
– Other items	0.4	-0.4
<b>Group's effective tax rate</b>	<b>22.8</b>	<b>19.6</b>

### c. Current income tax

(CHF million)	2010	2009
<b>Net current income tax liability</b>		
<b>Balance at 1 January</b>	-52	-91
Recognized in income statement	-321	-197
Recognized in equity	0	-1
Income taxes paid	225	237
Translation differences	4	0
<b>Balance at 31 December</b>	<b>-144</b>	<b>-52</b>
thereof current income tax assets	12	24
thereof current income tax liabilities	-156	-76

### 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)	2010	2009
<b>Net deferred tax liability</b>		
<b>Balance at 1 January</b>	-128	-137
Recognized in income statement	3	11
Recognized in equity	0	0
Business combinations (Note 14)	0	0
Divestment of businesses (Note 14)	0	0
Translation differences	-9	-2
<b>Balance at 31 December</b>	<b>-134</b>	<b>-128</b>
thereof deferred tax assets	219	209
thereof deferred tax liabilities	-353	-337

## 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 828 million (previous year: CHF 766 million).

The deferred tax assets and liabilities relate to the following balance sheet items:

Source (CHF million)	31.12.2010			31.12.2009		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	157	-224	-67	152	-218	-66
Trade and other receivables	4	-13	-9	4	-11	-7
Property, plant and equipment	11	-80	-69	13	-78	-65
Intangible assets	3	-7	-4	6	-6	0
Provisions	6	-20	-14	6	-17	-11
Retirement benefit obligations	3	-19	-16	3	-13	-10
Tax losses	33		33	37		37
Other	26	-14	12	21	-27	-6
<b>Total deferred tax assets (liabilities)</b>	<b>243</b>	<b>-377</b>	<b>-134</b>	<b>242</b>	<b>-370</b>	<b>-128</b>
Deferred tax assets on the balance sheet			219			209
Deferred tax liabilities on the balance sheet			-353			-337

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 2010
One year	4	0	4
Two years	12	0	12
Three years	16	2	18
Four years	32	10	42
Five years	22	17	39
Six years	14	27	41
More than six years	125	64	189
<b>Total at 31.12.2010</b>	<b>225</b>	<b>120</b>	<b>345</b>

(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
<b>Total at 31.12.2009</b>	<b>150</b>	<b>128</b>	<b>278</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. Earnings per share

### a. Basic

	2010	2009
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	1 074	759
Percentage of registered shares outstanding in comparison with the share capital outstanding	42.7%	42.1%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	57.3%	57.9%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	459	320
Average number of shares outstanding	113 103 548	110 446 207
<b>Basic earnings per share (in CHF)</b>	<b>4.05</b>	<b>2.89</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	615	439
Average number of shares outstanding	30 335 000	30 335 000
<b>Basic earnings per share (in CHF)</b>	<b>20.27</b>	<b>14.47</b>

### b. Diluted

	2010	2009
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	1 074	759
Interest expense on convertible debt (CHF million)	0	13
<b>Net income used to determine diluted EPS (CHF million)</b>	<b>1 074</b>	<b>772</b>
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%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	473	340
Average number of shares outstanding – basic (as above)	113 103 548	110 446 207
Potentially dilutive number of shares from convertible bond	5 804 783	8 398 368
Potentially dilutive number of shares from options outstanding	218 081	198 511
Average number of shares outstanding – diluted	119 126 412	119 043 086
<b>Diluted earnings per share (in CHF)</b>	<b>3.97</b>	<b>2.85</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	601	432
Average number of shares outstanding	30 335 000	30 335 000
<b>Diluted earnings per share (in CHF)</b>	<b>19.83</b>	<b>14.26</b>

## 9. Dividends paid and proposed

On 12 May 2010, the Annual General Meeting approved the distribution of a dividend of CHF 0.80 per registered share and CHF 4.00 per bearer share. The distribution to holders of outstanding shares totaled CHF 210 million (2009: CHF 223 million) and has been recorded against retained earnings in 2010.

At the Annual General Meeting on 31 May 2011, payment of the following dividends for 2010 will be proposed:

	Registered	Bearer
Dividend per share	CHF 1.00	CHF 5.00
Total dividend	CHF 124 045 000	CHF 154 200 000

The financial statements ending 31 December 2010 do not take into account this proposed dividend. Dividends will be treated as a distribution of available earnings during the financial year 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings	Advances and construction in progress	Total
(CHF million)					
<b>Historical cost, 1 January 2010</b>	<b>1 130</b>	<b>2 715</b>	<b>392</b>	<b>9</b>	<b>4 246</b>
Translation differences	-3	-31	-12		-46
Business combinations (Note 14)		1			1
Divestments of businesses (Note 14)		-9	-1		-10
Additions	33	169	37	15	254
Disposals	-4	-58	-19		-81
Derecognized items <sup>1)</sup>	-13	-230	-46		-289
Transfers	2	-4	11	-10	-1
<b>Historical cost, 31 December 2010</b>	<b>1 145</b>	<b>2 553</b>	<b>362</b>	<b>14</b>	<b>4 074</b>
<b>Accumulated depreciation, 1 January 2010</b>	<b>-507</b>	<b>-2 024</b>	<b>-255</b>	<b>0</b>	<b>-2 786</b>
Translation differences	2	23	9		34
Annual depreciation	-23	-147	-35		-205
Impairment					0
Depreciation on disposals		57	18		75
Depreciation on divestments of businesses		7	1		8
Depreciation on derecognized items <sup>1)</sup>	13	230	46		289
Transfers		3	-4		-1
<b>Accumulated depreciation, 31 December 2010</b>	<b>-515</b>	<b>-1 851</b>	<b>-220</b>	<b>0</b>	<b>-2 586</b>
<b>Net book value, 31 December 2010</b>	<b>630</b>	<b>702</b>	<b>142</b>	<b>14</b>	<b>1 488</b>

<sup>1)</sup> During the course of process improvements in the area of property, plant and equipment, fully depreciated and physically disposed of items still disclosed in historical cost and accumulated depreciation were identified. This issue has been resolved by a one-time derecognition of historical cost and accumulated depreciation in 2010. The derecognition does not affect either net book values or profit or loss.

Insured value	<b>5 183</b>
Net book value of property, plant and equipment under finance lease contracts	<b>0</b>
Total non-current assets pledged to guarantee the commitments of Group companies	<b>81</b>

	Land and buildings	Plant and machinery	Other fixtures and fittings	Advances and construction in progress	Total
(CHF million)					
Historical cost, 1 January 2009	1 084	2 626	393	31	4 134
Translation differences	-11	-1	-1		-13
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
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	<b>5 002</b>
Net book value of property, plant and equipment under finance lease contracts	<b>0</b>
Total non-current assets pledged to guarantee the commitments of Group companies	<b>83</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Investment property

(CHF million)	2010	2009
<b>Historical cost, 1 January</b>	<b>68</b>	67
Additions	1	0
Disposals	-7	0
Transfers	1	1
<b>Historical cost, 31 December</b>	<b>63</b>	68
<b>Accumulated depreciation, 1 January</b>	<b>-29</b>	-28
Annual depreciation	-1	-1
Impairment	0	0
Depreciation on disposals	7	0
Transfers	1	0
<b>Accumulated depreciation, 31 December</b>	<b>-22</b>	-29
<b>Net book value, 31 December</b>	<b>41</b>	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 77 million at 31 December 2010 compared to CHF 76 million at 31 December 2009. No external independent valuation has been performed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. Intangible assets

	Goodwill	Capitalized development costs	Other intangible assets	Total
(CHF million)				
<b>Historical cost, 1 January 2010</b>	<b>206</b>	<b>53</b>	<b>163</b>	<b>422</b>
Translation differences	-2	-1	-11	-14
Business combinations (Note 14)	3			3
Divestments of businesses (Note 14)		-1	-1	-2
Additions		12	14	26
Disposals		-4	-8	-12
Transfers				0
<b>Historical cost, 31 December 2010</b>	<b>207</b>	<b>59</b>	<b>157</b>	<b>423</b>
<b>Accumulated amortization, 1 January 2010</b>	<b>0</b>	<b>-18</b>	<b>-84</b>	<b>-102</b>
Translation differences			3	3
Annual amortization		-6	-10	-16
Impairment				0
Amortization on disposals		3	4	7
Amortization on divestments of businesses		1	1	2
Transfers				0
<b>Accumulated amortization, 31 December 2010</b>	<b>0</b>	<b>-20</b>	<b>-86</b>	<b>-106</b>
<b>Net book value, 31 December 2010</b>	<b>207</b>	<b>39</b>	<b>71</b>	<b>317</b>

	Goodwill	Capitalized development costs	Other intangible assets	Total
(CHF million)				
Historical cost, 1 January 2009	204	44	168	416
Translation differences				0
Business combinations (Note 14)	2			2
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
Transfers			-2	-2
Accumulated amortization, 31 December 2009	0	-18	-84	-102
<b>Net book value, 31 December 2009</b>	<b>206</b>	<b>35</b>	<b>79</b>	<b>320</b>

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)	31.12.2010	31.12.2009
Watches & Jewelry	159	159
Production	38	36
Electronic Systems	10	11
<b>Total</b>	<b>207</b>	<b>206</b>

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

	2010			2009		
	Watches & Jewelry	Production	Electronic Systems	Watches & Jewelry	Production	Electronic Systems
Estimated growth rate beyond five-year period	1%	0.5%	0%	1%	0.5%	0%
Expected gross margin	51%-62%	26%-29%	32%-35%	48%-62%	27%-30%	31%-35%
Pre-tax discount rate	8.6%	9.9%	10.3%	8.8%	9.6%	9.9%

No impairment charge for goodwill had to be recorded in 2010 and 2009. 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)	2010	2009
<b>Balance at 1 January</b>	<b>139</b>	<b>127</b>
Share of result from associates and joint ventures	9	5
Dividends received	-2	-2
Investments	28	12
Translation differences	-5	-3
<b>Balance at 31 December</b>	<b>169</b>	<b>139</b>

All associates and joint ventures are recognized using the equity method. They have been listed in Note 32.

Despite having less than 20% of the voting power of Hengdeli Holdings and Rivoli Group LLC (Dubai), the Swatch Group can exercise significant influence due to representation on the Board of Directors, access to current financial information and the strategic character of the investment. Therefore, these two investments are considered as associates.

Investments in 2010 relate in part to an increase in the stake in Hengdeli Holdings from 8.92% in 2009 to 9.05%. In addition, in the period under review, the Group participated in a capital increase of the associate Belenos Clean Power Holding Ltd. Furthermore, the Group acquired a 50% stake of Beijing Xin Yu Heng Rui Watch & Clock Ltd, a real estate company located in Beijing (China). This participation meets the criteria of a joint venture.

At 31 December 2010, the fair value of the investment in Hengdeli Holdings was CHF 225 million (2009: CHF 140 million). Sales to and purchases from associates and joint ventures amounted to CHF 584 million (2009: CHF 398 million) and CHF 10 million (2009: CHF 6 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)	31.12.2010	31.12.2009
Assets	162	112
Liabilities	70	42
Revenues	167	133
Net income	9	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

In 2010, the Group did not enter in any significant business combinations. In July 2010, the business activities of Tanzarella Ltd, a small entity in Southern Switzerland active in the assembly of watch movements, have been acquired. Net assets were transferred into the newly founded company Assemti Ltd.

At the end of March 2009, the Group had 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.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date, as well as the consideration paid and the goodwill arising on acquisitions:

(CHF million)	Notes	2010 Fair value	2009 Fair value
Property, plant and equipment	(10)	1	0
Intangible assets	(12)	0	0
Other non-current assets	(15)	0	0
Current assets		1	5
Cash and cash equivalents		0	2
Provisions	(24)	0	0
Deferred tax liabilities	(7d)	0	0
Other non-current liabilities		0	-3
Current liabilities		-2	-2
<b>Net assets acquired</b>		<b>0</b>	<b>2</b>
Goodwill (capitalized)	(12)	3	2
<b>Total purchase consideration</b>		<b>3</b>	<b>4</b>
Cash and cash equivalents acquired		0	-2
Consideration payable		0	0
Consideration paid for prior year acquisitions		1	0
<b>Cash outflow on acquisitions</b>		<b>4</b>	<b>2</b>

The total purchase consideration basically represented the cash payments made to the vendors. The acquisition-related costs of less than CHF 1 million were charged to the income statement (included in other operating expenses). In 2009, the costs directly attributable to the acquisitions were below CHF 1 million.

The goodwill arising from the 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. None of the goodwill recognized is expected to be deductible for income tax purposes.

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 (2009: below CHF 1 million). Furthermore, if the acquisitions had taken place at 1 January 2010 (1 January 2009), the Group's revenue would not have been different (2009: CHF 2 million higher), and the impact on profit would have been less than CHF 1 million (2009: less than CHF 1 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Divestment of businesses

In 2010, the Group sold the step motor activities of Microcomponents Ltd and the Group company Lasag Ltd for a total consideration of CHF 12 million. The profit realized on these divestments amounted to CHF 2 million, it was included in other operating income.

No businesses had been divested in 2009.

The net assets disposed of and the net cash inflow on divestments were as follows:

(CHF million)	Notes	2010	2009
Property, plant and equipment	(10)	2	0
Intangible assets	(12)	0	0
Goodwill	(12)	0	0
Current assets		24	0
Cash and cash equivalents		0	0
Provisions	(24)	0	0
Deferred tax liabilities	(7d)	0	0
Other non-current liabilities		0	0
Current liabilities		-16	0
<b>Net assets disposed of</b>		<b>10</b>	<b>0</b>
Accumulated currency translation gains recognized in equity		0	0
Profit on divestment of businesses		2	0
<b>Total disposal consideration</b>		<b>12</b>	<b>0</b>
Cash and cash equivalents disposed of		0	0
<b>Net Cash inflow on divestment</b>		<b>12</b>	<b>0</b>

### Repurchase of non-controlling interests

In July 2010 the Group acquired the remaining 5 percent interest in its subsidiaries in Singapore and Malaysia for a total consideration of CHF 5 million in cash, increasing its ownership from 95 to 100 percent. The resulting difference amounted to less than CHF 1 million and was recognized in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Other non-current assets

(CHF million)	Key money	Security deposits	Other financial assets	Pension assets	Total
<b>Balance at 1 January 2010</b>	<b>28</b>	<b>28</b>	<b>5</b>	<b>64</b>	<b>125</b>
Translation differences	-3	-2			-5
Additions	5	4	1	23	33
Disposals	-2	-1	-1		-4
Transfers to "Other current assets"	-4				-4
<b>Balance at 31 December 2010</b>	<b>24</b>	<b>29</b>	<b>5</b>	<b>87</b>	<b>145</b>
Term 1–5 years	21	25	5		51
Term >5 years	3	4		87	94
<b>Balance at 31 December 2010</b>	<b>24</b>	<b>29</b>	<b>5</b>	<b>87</b>	<b>145</b>

(CHF million)	Key money	Security deposits	Other financial assets	Pension assets	Total
<b>Balance at 1 January 2009</b>	<b>37</b>	<b>23</b>	<b>5</b>	<b>48</b>	<b>113</b>
Translation differences		-1			-1
Additions		7		16	23
Disposals		-1			-1
Transfers to "Other current assets"	-9				-9
<b>Balance at 31 December 2009</b>	<b>28</b>	<b>28</b>	<b>5</b>	<b>64</b>	<b>125</b>
Term 1–5 years	24	24	5		53
Term >5 years	4	4		64	72
<b>Balance at 31 December 2009</b>	<b>28</b>	<b>28</b>	<b>5</b>	<b>64</b>	<b>125</b>

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)	31.12.2010	31.12.2009
Raw materials	226	219
Work in progress	383	287
Semi-finished goods	1 141	1 084
Finished goods	950	985
Spare parts for customer service	169	168
<b>Total inventories</b>	<b>2 869</b>	<b>2 743</b>

The cost of inventories recognized as an expense in 2010 amounted to CHF 2 577 million (2009: CHF 2 316 million). Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2010, the Group recognized write-downs of CHF 26 million (previous year: CHF 17 million) and reversals of write-downs of CHF 2 million (previous year: CHF 4 million). The net impact of these adjustments was a charge to the income statement of CHF 24 million (2009: CHF 13 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. Trade receivables

(CHF million)	31.12.2010	31.12.2009
Trade receivables – gross	735	780
Allowance for impaired receivables	-19	-19
<b>Total trade receivables – net</b>	<b>716</b>	<b>761</b>

The evolution of the allowance for impaired receivables can be summarized as follows:

(CHF million)	2010	2009
<b>Balance at 1 January</b>	<b>-19</b>	<b>-23</b>
Translation differences	1	0
Utilization	2	6
Reversal	2	3
Creation	-5	-5
<b>Balance at 31 December</b>	<b>-19</b>	<b>-19</b>

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)	31.12.2010	31.12.2009
<b>Neither past due nor impaired</b>	<b>625</b>	<b>649</b>
<3 months	81	97
3–6 months	6	10
6–12 months	3	5
>12 months	1	0
<b>Total past due but not impaired</b>	<b>91</b>	<b>112</b>
<b>Total trade receivables</b>	<b>716</b>	<b>761</b>

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)	31.12.2010	31.12.2009
CHF	198	181
CNY	64	86
EUR	181	204
HKD	51	43
JPY	21	26
USD	65	77
Other currencies	136	144
<b>Total trade receivables – net</b>	<b>716</b>	<b>761</b>

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)	31.12.2010	31.12.2009
<b>Other current receivables</b>		
VAT to be refunded	96	47
Other receivables	17	40
<b>Total other current receivables</b>	<b>113</b>	<b>87</b>
<b>Prepayments</b>		
Key money	6	10
Other prepayments and accrued income	150	144
<b>Total prepayments</b>	<b>156</b>	<b>154</b>
<b>Total other current assets</b>	<b>269</b>	<b>241</b>

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 2009). Except for prepayments, other current assets are considered as financial instruments.

### 19. Marketable securities and derivative financial instruments

(CHF million)	31.12.2010	31.12.2009
Equity securities	105	138
Bond securities	390	365
Investment funds and other investments	25	25
<b>Marketable securities held-for-trading</b>	<b>520</b>	<b>528</b>
<b>Marketable securities designated as FVTPL</b>	<b>18</b>	<b>16</b>
<b>Derivative financial instruments</b>	<b>4</b>	<b>3</b>
<b>Total marketable securities and derivative financial instruments</b>	<b>542</b>	<b>547</b>

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.

Type	31.12.2010			31.12.2009		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
(CHF million)						
Forward foreign exchange rate contracts	311	4	0	521	3	-1
Currency options	0	0	0	0	0	0
Options on equity securities	0	0	0	0	0	0
<b>Total trading</b>	<b>311</b>	<b>4</b>	<b>0</b>	<b>521</b>	<b>3</b>	<b>-1</b>
Forward foreign exchange rate contracts	0	0	0	0	0	0
Currency options	0	0	0	0	0	0
<b>Total hedge accounting</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>311</b>	<b>4</b>	<b>0</b>	<b>521</b>	<b>3</b>	<b>-1</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the end of 2009 and 2010, no hedges were outstanding. No amounts were recycled from equity as a result of the application of hedge accounting. 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:

Type (CHF million)	2010							Total
	EUR	JPY	HKD	USD	SGD	CNY	Other	
Forward foreign exchange contracts	176	54	0	18	0	0	63	311
Currency options	0	0	0	0	0	0	0	0
Options on equity securities	0	0	0	0	0	0	0	0
<b>Total trading</b>	<b>176</b>	<b>54</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>63</b>	<b>311</b>
Forward foreign exchange contracts	0	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0
<b>Total hedge accounting</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>176</b>	<b>54</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>63</b>	<b>311</b>

Type (CHF million)	2009							Total
	EUR	JPY	HKD	USD	SGD	CNY	Other	
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
<b>Total trading</b>	<b>229</b>	<b>70</b>	<b>0</b>	<b>72</b>	<b>27</b>	<b>49</b>	<b>74</b>	<b>521</b>
Forward foreign exchange contracts	0	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0
<b>Total hedge accounting</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>229</b>	<b>70</b>	<b>0</b>	<b>72</b>	<b>27</b>	<b>49</b>	<b>74</b>	<b>521</b>

At 31 December 2010, 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)	31.12.2010	31.12.2009
Current accounts and liquid assets	639	388
Short-term deposits with financial institutions	1 188	710
<b>Total</b>	<b>1 827</b>	<b>1 098</b>

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)	31.12.2010	31.12.2009
Cash and cash equivalents	1 827	1 098
Current account overdrafts (Note 22)	-2	0
<b>Total</b>	<b>1 825</b>	<b>1 098</b>



# 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
31.12.2007	128 100 000 at CHF 0.45	31 660 000 at CHF 2.25	128 880 000.00
Cancellation <sup>1)</sup>	-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
<b>31.12.2010</b>	<b>124 045 000 at CHF 0.45</b>	<b>30 840 000 at CHF 2.25</b>	<b>125 210 250.00</b>

<sup>1)</sup> Buyback of shares on the Group's 2<sup>nd</sup> trading line and cancellation following the decision of the AGM of 21 May 2008.

At year-end 2010 as well as 2009, 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		Total
	Quantity	Value	Quantity	Value	
	CHF million		CHF million		CHF million
<b>Balance at 31.12.2008</b>	<b>13 700 159</b>	<b>497</b>	<b>505 000</b>	<b>132</b>	<b>629</b>
Acquisitions	0	0	0	0	0
Disposals <sup>1)</sup>	-215 730	0	0	0	0
Cancellations	0	0	0	0	0
<b>Balance at 31.12.2009</b>	<b>13 484 429</b>	<b>497</b>	<b>505 000</b>	<b>132</b>	<b>629</b>
Acquisitions	0	0	0	0	0
Disposals <sup>1)</sup>	-230 822	0	0	0	0
Cancellations	0	0	0	0	0
Conversions	-7 895 551	-336	0	0	-336
<b>Balance at 31.12.2010</b>	<b>5 358 056</b>	<b>161</b>	<b>505 000</b>	<b>132</b>	<b>293</b>

<sup>1)</sup> The disposals relate mainly to 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)	31.12.2010	31.12.2009
Equity component of convertible bond	0	15
Translation differences	-286	-148
<b>Total other reserves</b>	<b>-286</b>	<b>-133</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. Financial debts and derivative financial instruments

(CHF million)	31.12.2010	31.12.2009
Other non-current debt	77	80
<b>Total non-current financial debts</b>	<b>77</b>	<b>80</b>
Current account overdrafts	2	0
Short-term leasing commitments	0	0
Short-term bank debt	29	52
Convertible bond	0	385
<b>Total current financial debts</b>	<b>31</b>	<b>437</b>
Derivative financial instruments	0	1
<b>Total current financial debts and derivative financial instruments</b>	<b>31</b>	<b>438</b>
<b>Total financial debts</b>	<b>108</b>	<b>518</b>

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
<b>At 31.12.2010</b>	<b>31</b>	<b>25</b>	<b>52</b>	<b>108</b>
At 31.12.2009	438	0	80	518

The carrying amounts of the Swatch Group's financial debts are denominated in the following currencies:

(CHF million)	31.12.2010	31.12.2009
Swiss Franc (CHF)	15	389
Japanese Yen (JPY)	89	107
Euro (EUR)	1	3
Other currencies	3	19
<b>Total</b>	<b>108</b>	<b>518</b>

#### Convertible bond

On 15 October 2003, The Swatch Group Finance (Luxembourg) SA issued convertible bonds valid from 15 October 2003 to 15 October 2010, with a coupon of 2.625% and a nominal value of CHF 5 000 per bond, for a total of CHF 412 million. In prior years, the Group repurchased convertible bonds with a value of CHF 24 million. At maturity date, the remaining liability was settled by the conversion of 7 895 551 registered shares in the amount of CHF 387 million (conversion price of CHF 49.00 per share) and by a cash payment of CHF 1 million.

Additionally, costs directly attributable to the convertible bond in the amount of CHF 2 million have been recognized through equity. Therefore, the total equity impact of the conversion amounts to CHF 385 million (refer to the consolidated statement of changes in equity).

The convertible bond was recognized as follows:

(CHF million)	2010	2009
<b>Liability component at 1 January</b>	<b>385</b>	<b>384</b>
Coupon interest at market rate	3	13
Coupon interest at 2.625%	0	-10
Partial repurchase of convertible bonds against cash	0	-2
Conversion into registered shares	-387	0
Settlement in cash at maturity date	-1	0
<b>Liability component at 31 December</b>	<b>0</b>	<b>385</b>

## 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, 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)	2010	2009
Present value of funded obligations	-3 543	-3 228
Fair value of plan assets	3 299	3 171
<b>Excess of assets/(liabilities) at 31 December</b>	<b>-244</b>	<b>-57</b>
Present value of unfunded obligations	-12	-14
Unrecognized actuarial loss	322	111
Unrecognized past-service cost	0	0
<b>Net asset / (liability) in the balance sheet at 31 December</b>	<b>66</b>	<b>40</b>

#### Periodic pension cost for defined benefit plans

(CHF million)	2010	2009
Current service cost	-128	-123
Interest cost	-104	-101
Expected return on plan assets	134	119
Actuarial gains/(losses)	-1	-3
Past-service cost	0	0
Employee contributions	56	56
Gains/(losses) on curtailment	0	-1
<b>Total periodic pension cost</b>	<b>-43</b>	<b>-53</b>

#### Movement in the fair value of plan assets

(CHF million)	2010	2009
<b>1 January</b>	<b>3 171</b>	<b>2 814</b>
Expected return on plan assets	134	119
Actuarial gains/(losses)	42	289
Exchange differences	-5	0
Employer contributions	67	68
Employee contributions	56	56
Benefits paid	-166	-175
<b>31 December</b>	<b>3 299</b>	<b>3 171</b>

Pension plan assets include the company's registered shares with a fair value of CHF 507 million (2009: CHF 280 million) and the company's bearer shares with a fair value of below CHF 1 million (2009: CHF 53 million). Furthermore, buildings occupied by the Group amounting to CHF 12 million (previous year CHF 12 million) were included in the pension plan assets.

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 176 million (2009: gain of CHF 408 million). The Group expects to contribute CHF 68 million to its post-employment benefit plans in 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Asset allocation of plan assets

	31.12.2010		31.12.2009	
	CHF million	%	CHF million	%
Equity	1 236	37.5	1 036	32.7
Bonds	1 002	30.4	1 156	36.5
Real estate	612	18.5	591	18.6
Other assets	449	13.6	388	12.2
<b>Total</b>	<b>3 299</b>	<b>100.0</b>	<b>3 171</b>	<b>100.0</b>

### Movement in the present value of defined benefit obligation

(CHF million)	2010	2009
<b>1 January</b>	<b>-3 242</b>	<b>-3 139</b>
Current service cost	-128	-124
Interest cost	-104	-101
Actuarial gains/(losses)	-257	-55
Exchange differences	9	1
Benefits paid	167	177
Curtailments	0	-1
Settlements	0	0
<b>31 December</b>	<b>-3 555</b>	<b>-3 242</b>

### Principal actuarial assumptions used

	2010	2009
	%	%
	Weighted average	Weighted average
Discount rate	2.75	3.25
Expected return on plan assets	4.25	4.25
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)	2010	2009	2008	2007	2006
Present value of defined benefit obligation	-3 555	-3 242	-3 139	-3 282	-3 106
Fair value of plan assets	3 299	3 171	2 814	3 590	3 464
<b>Over/(under) funding</b>	<b>-256</b>	<b>-71</b>	<b>-325</b>	<b>308</b>	<b>358</b>
Experience adjustments on plan liabilities - loss / (gain)	8	6	29	133	70
Experience adjustments on plan assets - gain / (loss)	42	289	-872	39	130

#### 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 2010 of CHF 3 million (2009: 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2010, these liabilities amounted to CHF 5 million (31 December 2009: CHF 3 million).

### d. Reconciliation

The reconciliation of the balance sheet amount of pension assets and retirement benefit obligations is as follows:

(CHF million)	31.12.2010	31.12.2009
Defined benefit plan asset	87	64
<b>Total pension asset (Note 15)</b>	<b>87</b>	<b>64</b>
Defined benefit plan liability	-21	-24
Other post-employment benefit obligations	-5	-3
<b>Total retirement benefit obligations</b>	<b>-26</b>	<b>-27</b>

### 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 2010, these contributions amounted to CHF 6 million (CHF 6 million in 2009).

## 24. Provisions

(CHF million)	Warranties	Litigation	Other	Total
<b>Balance at 31.12.2008</b>	<b>77</b>	<b>11</b>	<b>20</b>	<b>108</b>
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
<b>Balance at 31.12.2009</b>	<b>71</b>	<b>9</b>	<b>20</b>	<b>100</b>
Current provisions	50	3	7	60
Non-current provisions	21	6	13	40
Translation differences	-6		-2	-8
Additional provisions	75	3	7	85
Reversal of provisions	-8	-2	-3	-13
Acquisitions / divestments				0
Provisions used during the year	-58	-3	-3	-64
<b>Balance at 31.12.2010</b>	<b>74</b>	<b>7</b>	<b>19</b>	<b>100</b>
Current provisions	51	4	8	63
Non-current provisions	23	3	11	37

### 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 anticipated 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 currently available information and recorded adequate provisions. However, there are inherent risks within legal claims depending on court and adversary party behaviour and opinion that may 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)	31.12.2010	31.12.2009
Advance payments	15	12
VAT due	16	13
Other payables	70	57
<b>Total other current payables</b>	<b>101</b>	<b>82</b>
<b>Accrued expenses and deferred income</b>	<b>378</b>	<b>347</b>
<b>Total other current liabilities</b>	<b>479</b>	<b>429</b>

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 2010, 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-2009).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 29 million at 31 December 2010 (CHF 28 million at end-2009).

#### b. Leasing, rental and other commitments

Operating leasing commitments for the Group not recognized in the balance sheet are as follows:

(CHF million)	31.12.2010	31.12.2009
Less than 1 year	164	149
Between 1 and 5 years	374	357
Over 5 years	221	229
<b>Total</b>	<b>759</b>	<b>735</b>
Proportion of contracts with renewal option (% of total amount)	59.3	65.6
Maximum risk (% of total amount)	93.8	93.5

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 2010. Leasing costs amounting to CHF 163 million were recognized in the 2010 income statement (CHF 152 million in 2009). 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 2010, amounted to CHF 30 million (CHF 7 million in the previous year).

#### c. Contingent assets and liabilities

Some Group companies have contingent liabilities in respect of legal claims arising from the ordinary course of business and they may be liable to pay compensation. It is not expected that any material liabilities will arise from these contingent liabilities other than those provided for (see Note 24b).

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. Details to the consolidated statement of cash flows

#### a. Non-cash items

(CHF million)	Notes	2010	2009
<b>Reversal of non-cash items</b>			
Share of result from associates and joint ventures	(13)	-9	-5
Income taxes	(7a)	318	186
Depreciation of tangible assets	(10, 11)	206	207
Amortization of intangible assets	(12)	16	13
Divestment gain from disposal of subsidiaries	(14)	-2	0
Profit on sale of fixed assets		-6	-2
Loss on sale of fixed assets		2	2
Fair value gains on marketable securities		-20	-66
Fair value losses on marketable securities		54	33
Interest income	(6f)	-4	-4
Interest expense	(6f)	5	18
Expenses for equity-settled equity compensation plan	(28)	10	8
Changes in provisions		10	-8
Changes in pensions and other retirement benefits		-22	-16
<b>Total</b>		<b>558</b>	<b>366</b>

#### b. Changes in working capital

(CHF million)	Notes	2010	2009
<b>Changes in working capital and other items included in cash flow from operating activities</b>			
Inventories		-198	-12
Trade and other receivables		-51	15
Trade payables and other current liabilities		141	-3
Other items included in cash flow from operating activities		45	7
<b>Total</b>		<b>-63</b>	<b>7</b>

### 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 2010, this portfolio comprised 2 125 677 registered shares (2 356 309 at the end of 2009). In 2010, 230 632 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:

	2010	2009
	Options	Options
Options outstanding at 1 January	221 928	218 570
Granted	244 450	221 590
Forfeited or lapsed	-2 674	-2 502
Exercised	-230 632	-215 730
<b>Options outstanding at 31 December</b>	<b>233 072</b>	<b>221 928</b>

All options included in the table above have an exercise price of CHF 4.00.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share options outstanding at the end of the year have the following expiry date:

Expiry date	Share options	
	31.12.2010	31.12.2009
2010		148 470
2011	153 141	73 458
2012	79 931	
<b>Total</b>	<b>233 072</b>	221 928

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 2010 and 2009 was based:

	2010		2009	
	Tranche exercisable in 1 year	Tranche exercisable in 2 years	Tranche exercisable in 1 year	Tranche exercisable in 2 years
Grant date	13 July 2010	13 July 2010	10 July 2009	10 July 2009
Expiration date	13 July 2011	13 July 2012	10 July 2010	10 July 2011
Closing share price on grant date	CHF 58.30	CHF 58.30	CHF 33.70	CHF 33.70
Exercise price	CHF 4.00	CHF 4.00	CHF 4.00	CHF 4.00
Volatility	38.6%	38.6%	37.0%	37.0%
Expected dividend yield	CHF 1.00	CHF 1.00	CHF 0.80	CHF 0.80
Risk-free interest rate	0.42%	0.65%	0.35%	0.83%
Market value of option at grant date	CHF 53.32	CHF 52.35	CHF 28.91	CHF 28.17

The first tranche that was immediately exercisable had the same assumptions as shown above (2010: grant date 13 July 2010, share price at grant date CHF 58.30, exercise price CHF 4.00; 2009: grant date 10 July 2009, share price at grant date CHF 33.70, exercise price CHF 4.00). The weighted average share price at exercise date was CHF 61.54 in 2010 (2009: CHF 44.84).

The personnel expense recorded in the 2010 income statement as a result of applying IFRS 2 calculation amounted to CHF 10 million (2009: CHF 8 million).

## 29. Related party transactions

### a. Principal shareholders

On 31 December 2010, the Hayek Pool and its related companies, institutions and individuals held 64 385 225 registered shares and 1 025 bearer shares, equivalent to 41.6% of the shares issued (previous year: 41.0%) of The Swatch Group Ltd, which is the parent company of the Group.

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.8% of the shares issued. At the end of year 2009, the group of Mr. N. G. Hayek and related parties controlled 40.2% of the shares issued. Mrs. Esther Grether's group controlled 7.2% of the shares issued (compared with 7.5% a year earlier).

In 2010, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 10.1 million to the Swatch Group (compared with CHF 9.4 million in 2009). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2010	2009
Audit, feasibility studies and process optimization	3.0	3.0
Provision of managers and filling important, vacant functions	1.1	1.3
Project management in the construction sector	3.6	3.0
Support for projects in the materials and surface treatment technology sector	0.5	0.2
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	1.5
<b>Total</b>	<b>10.1</b>	9.4



## 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)	2010	2009
Short-term employee benefits	<b>26.6</b>	26.2
– of which in salaries	<b>8.6</b>	9.3
– of which in bonus	<b>17.9</b>	16.8
– of which in other benefits	<b>0.1</b>	0.1
Post-employment benefits	<b>0.8</b>	0.8
Termination benefits	<b>0.0</b>	0.0
Share-based compensation	<b>6.8</b>	5.0
<b>Total</b>	<b>34.2</b>	32.0

No remuneration was paid to former members of management bodies for their former functions.

### c. Share ownership

At 31 December 2010, 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 56 293 903 registered shares and 590 bearer shares, representing 36.4% of the voting rights (previous year: 36.4%).

In addition, at 31 December 2010, all the non-executive members of the Board of Directors as well as the persons close to them held 11 101 700 registered shares and 114 000 bearer shares, representing 7.2% of the voting rights (previous year: 8.7%).

### 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 2010 and 2009, 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 2010, one loan to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 2.6% 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).

(CHF million)	2010		2009	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	<b>10</b>	<b>584</b>	6	398
Other related parties	<b>0</b>	<b>0</b>	0	0

At the end of 2010, receivables from related parties amounted to CHF 55 million (2009: CHF 57 million), and payables to related parties were CHF 5 million (2009: CHF 3 million). In addition, in 2010 the Group held guarantees from associated companies in the amount of CHF 47 million (2009: CHF 7 million). Furthermore, at 31 December 2010 the Group had granted loans to related parties in the amount of USD 1 million (2009: 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)

2010	Function	Compensation for functions in the BoD <sup>1)</sup>	Base compen- sation for executive function <sup>1)</sup>	Bonus <sup>2)</sup>	Other compen- sation <sup>3)</sup>	Total <sup>4)</sup>
Name		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Dr. h.c. Nicolas G. Hayek <sup>5)</sup>	Chairman & Delegate		350 946	835 000	116 722	1 302 668
Nayla Hayek <sup>6)</sup>	Chairwoman	145 845	751 566	1 300 000	877 605	3 075 016
Dr. Peter Gross	Vice-Chairman	115 060				115 060
Esther Grether	Member	104 518				104 518
Georges Nicolas Hayek <sup>7)</sup>	Member	65 893				65 893
Prof. Dr. h.c. Claude Nicollier	Member	104 518				104 518
Johann N. Schneider-Ammann <sup>8)</sup>	Member	88 896				88 896
Dr. Jean-Pierre Roth <sup>9)</sup>	Member	65 323				65 323
Ernst Tanner	Member	106 667				106 667
<b>Total</b>		<b>796 720</b>	<b>1 102 512</b>	<b>2 135 000</b>	<b>994 327</b>	<b>5 028 559</b>

2009	Function	Compensation for functions in the BoD <sup>1)</sup>	Base compen- sation for executive function <sup>1)</sup>	Bonus <sup>2)</sup>	Other compen- sation <sup>3)</sup>	Total <sup>4)</sup>
Name		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Dr. h.c. Nicolas G. Hayek	Chairman & Delegate		701 892	1 670 000		2 371 892
Dr. Peter Gross	Vice-Chairman	114 957				114 957
Esther Grether	Member	104 425				104 425
Nayla Hayek	Member	105 318	501 564	1 000 000	387 455	1 994 337
Prof. Dr. h.c. Claude Nicollier	Member	106 440				106 440
Johann N. Schneider-Ammann	Member	106 440				106 440
Ernst Tanner	Member	106 440				106 440
<b>Total</b>		<b>644 020</b>	<b>1 203 456</b>	<b>2 670 000</b>	<b>387 455</b>	<b>4 904 931</b>

<sup>1)</sup> Total annual fee paid in cash, not including any reimbursement for travel and other business expenses incurred.

<sup>2)</sup> Cash bonuses according to the accrual principle.

<sup>3)</sup> Other compensation includes pension benefits and share options. In 2010, 15 000 share options with a value of CHF 816 045 were granted to Mrs. N. Hayek (2009: 10 000 share options with a value of CHF 325 895), according to the conditions described in Note 28 Employee stock option plan. Each option gives the right to conversion in one registered share.

<sup>4)</sup> 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.

<sup>5)</sup> BoD Chairman until June 2010 (†).

<sup>6)</sup> BoD Chairwoman as of July 2010.

<sup>7)</sup> BoD Member as of May 2010. The compensation for his executive functions is included in Note 30 b.

<sup>8)</sup> BoD Member until October 2010.

<sup>9)</sup> BoD Member as of May 2010.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b. Management Board (MB) and Extended Management Board (EMB)

2010	Function	Salaries <sup>1)</sup>	Bonus <sup>2)</sup>	Share options <sup>3)</sup>	Share options <sup>3)</sup>	Other compensation <sup>4)</sup>	Total <sup>5)</sup>
Name		(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Georges Nicolas Hayek	MB President / CEO	1 471 561	3 200 000	23 500	1 278 468	61 560	6 011 589
Total other members		5 276 878	12 506 000	122 450	6 661 613	714 894	25 159 385
<b>Total</b>		<b>6 748 439</b>	<b>15 706 000</b>	<b>145 950</b>	<b>7 940 081</b>	<b>776 454</b>	<b>31 170 974</b>

2009	Function	Salaries <sup>1)</sup>	Bonus <sup>2)</sup>	Share options <sup>3)</sup>	Share options <sup>3)</sup>	Other compensation <sup>4)</sup>	Total <sup>5)</sup>
Name		(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Georges Nicolas Hayek	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
<b>Total</b>		<b>7 400 287</b>	<b>14 138 000</b>	<b>133 350</b>	<b>4 350 773</b>	<b>898 572</b>	<b>26 787 632</b>

In 2010, total salaries and bonuses paid to Group Management (including CEO) amounted to CHF 22 454 439 or 4.25% higher than the previous year, but 0.4% and 1.8% lower than 2008 and 2007 respectively.

<sup>1)</sup>Total annual base compensation paid in cash, not including any reimbursement for travel and other business expenses incurred.

<sup>2)</sup>Cash bonuses according to the accrual principle.

<sup>3)</sup>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.

The increase in CHF is mainly due to the higher average value per option, which was CHF 54.40 in 2010 compared to CHF 32.63 in 2009.

<sup>4)</sup>Other salary elements such as pension benefits, company cars and other benefits.

<sup>5)</sup>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 2010 and 2009, 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 2010, 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 2.6% existed (unchanged to previous year).

In 2010 and 2009, 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 2010 and 2009, 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)	
		2010	2009	2010	2009	2010	2009
Dr. h.c. Nicolas G. Hayek <sup>1)</sup>	BoD Chairman & Delegate		55 704 144		550		
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144		550			
Nayla Hayek <sup>2)</sup>	BoD Chairwoman	14 876	6 543			13 334	6 667
Dr. Peter Gross	BoD Vice-Chairman	7 200	21 200				
Esther Grether	BoD Member	11 094 500	11 454 500	112 000	112 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member						
Dr. Jean-Pierre Roth <sup>3)</sup>	BoD Member						
Johann N. Schneider-Ammann <sup>4)</sup>	BoD Member		1 827 372				
Ernst Tanner	BoD Member			2 000	2 000		
Georges Nicolas Hayek <sup>5)</sup>	BoD Member / CEO	71 363	55 249			23 001	22 001
Arlette E. Emch	MB Member	47 334	37 334			15 000	15 000
Florence Ollivier-Lamarque	MB Member	44 000	44 216			11 002	11 002
Dr. Mougahed Darwish	MB Member	50 470	69 470			6 000	6 000
Marc A. Hayek	MB Member	46 233	36 900			9 667	9 000
Dr. Hanspeter Rentsch	MB Member / CLO	95 022	138 988			18 202	18 202
Roland Streule	MB Member	24 466	33 216			7 001	7 335
François Thiébaud	MB Member	62 458	53 125			9 667	9 000
Dr. Thierry Kenel	EMB Member / CFO	8 586	5 302			5 668	1 452
Matthias Breschan	EMB Member					1 834	1 500
Pierre-André Bühler	EMB Member	9 068	9 345			4 000	2 668
Yann Gamard	EMB Member					5 002	5 002
Walter von Känel	EMB Member	21 309	17 643	40	40	4 084	3 500
Thomas Meier	EMB Member		2 900			1 400	1 300
Kevin Rollenhagen	EMB Member	29 483	23 482			6 667	5 668
Rudolf Semrad <sup>6)</sup>	EMB Member		12 601				2 100
Dr. Peter Steiger	EMB Member	43 591	40 924			5 834	5 501
Stephen Urquhart	EMB Member	21 500	17 351			6 168	5 501
<b>Total</b>		<b>67 395 603</b>	<b>69 611 805</b>	<b>114 590</b>	<b>114 590</b>	<b>153 531</b>	<b>138 399</b>

<sup>1)</sup>BoD Chairman until June 2010 (†).

<sup>2)</sup>BoD Chairwoman as of July 2010.

<sup>3)</sup>BoD Member as of May 2010.

<sup>4)</sup>BoD Member until October 2010.

<sup>5)</sup>BoD Member as of May 2010.

<sup>6)</sup>EMB Member until April 2010.

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 the community of heirs of N. G. Hayek and Mrs. E. Grether, 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 2010, either directly or through share options, more than 1% of the outstanding Swatch Group shares (as of 31 December 2009: Mr. Nicolas G. Hayek, Mrs. E. Grether and Mr. J. N. Schneider-Ammann).

## 31. Events after the balance sheet date

On 19 January 2011, the Group finalized the acquisition of Novi SA, a manufacturer of finished watches and assembler of watch movements with 133 employees in the canton of Jura (Switzerland). The purchase price allocation is expected to be completed in the first half of 2011. The impact on the Group's financial statements will not be material.

There were no other significant events after the balance sheet date.

## 32. THE SWATCH GROUP COMPANIES – AS AT 31.12.2010

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Europe</b>					
<b>Switzerland</b>					
The Swatch Group SA, Neuchâtel	Holding	CHF 125.21			▼
Assemti SA, Locarno	Assembly	CHF 0.10	100	●	▲
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 42.00	42	○	▼
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	●	▲
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	●	▲
Hamilton International AG, Bienne	Watches	CHF 3.00	100	●	■
ICB Ingénieurs Conseils en Brevets SA, Neuchâtel	Patents	CHF 0.20	100	●	▼
Jaquet Droz Les Boutiques SA, La Chaux-de-Fonds	Retail	CHF 0.10	100	●	■
Le Foyer SA, Saint-Imier	Real estate	CHF 0.13	100	●	▼
Léon Hatot Les Boutiques SA, Auvornier	Retail	CHF 0.10	100	●	■
Léon Hatot SA, Auvornier	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 30.00	100	●	▲
Manufacture Ruedin SA, Bassecourt	Watch cases	CHF 2.40	100	●	▲
Meco SA, Grenchen	Watch crowns	CHF 0.48	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 Prêlet 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, St-Imier	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 6.00	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	●	▼
The Swatch Group Services SA, Bienne	Logistics, distribution and services	CHF 1.00	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	●	▲
Vica Sàrl, Paudex	Watches	CHF 0.20	100	●	■
<b>Germany</b>					
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	Retail	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	●	■
The Swatch Group (Deutschland) Les Boutiques GmbH, Eschborn	Retail	EUR 0.20	100	●	■
Union Uhrenfabrik GmbH, Glashütte	Watches	EUR 0.10	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

## 32. THE SWATCH GROUP COMPANIES – AS AT 31.12.2010

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
<b>Austria</b>					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution	EUR 0.04	100	●	■
<b>Belgium</b>					
The Swatch Group (Belgium) SA, Anderlecht	Distribution	EUR 1.75	100	●	■
The Swatch Group Participation SA, Anderlecht	Holding	EUR 2.09	100	●	▼
<b>Spain</b>					
The Swatch Group (España) SA, Alcobendas	Distribution	EUR 0.45	100	●	■
<b>France</b>					
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	●	▲
SAS Centre Européen de Service Horloger, Besançon	Customer service	EUR 0.70	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 16.00	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 2.25	100	●	■
The Swatch Group (France) SAS, Paris	Distribution	EUR 15.00	100	●	■
The Swatch Group (France) Les Boutiques, Paris	Retail	EUR 45.13	100	●	■
<b>Great Britain</b>					
The Swatch Group (UK) Ltd, London	Distribution	GBP 2.00	100	●	■
The Swatch Group (UK) Les Boutiques Ltd, London	Retail	GBP 0.00	100	●	■
<b>Greece</b>					
Alkioni SA, Athens	Retail	EUR 0.10	100	●	■
The Swatch Group (Greece) SA, Athens	Distribution	EUR 0.06	100	●	■
<b>Italy</b>					
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	●	■
<b>Luxembourg</b>					
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	●	▼
<b>Netherlands</b>					
The Swatch Group (Netherlands) BV, Maastricht	Distribution	EUR 0.70	100	●	■
<b>Poland</b>					
The Swatch Group (Polska) Sp.zo.o., Warszawa	Distribution	PLN 5.00	100	●	■
<b>Portugal</b>					
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	●	■
<b>Russia</b>					
Swiss Watch Le Prestige 000 Russia, Moscow	Distribution	RUB 0.20	100	●	■
The Swatch Group (RUS) 000, Moscow	Distribution	RUB 1 636.23	100	●	■
<b>Sweden</b>					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	■
<b>Czech Republic</b>					
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	●	◆
<b>Africa</b>					
<b>South Africa</b>					
The Swatch Group (South Africa) (Proprietary) Ltd, Sandton	Distribution	ZAR 0.00	100	●	■
<b>America</b>					
<b>Brazil</b>					
SGA Administração de Imóveis SA, Manaus	Inactive	BRL 4.93	100	●	■
SGB Serviços e Comércio de Peças Ltda, São Paulo	Customer service	BRL 14.05	100	●	■
SMH do Brasil Administração de Bens Ltda, São Paulo	Inactive	BRL 2.74	100	●	▼
<b>Canada</b>					
The Swatch Group (Canada) Ltd, Toronto	Distribution	CAD 4.50	100	●	■
<b>United States</b>					
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 31.12.2010

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Mexico</b>					
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	●	■
<b>Panama</b>					
The Swatch Group Panama SA, Panama City	Commercial services	USD 0.01	100	●	■
<b>Asia</b>					
<b>Greater China</b>					
Beijing Xin Yu Heng Rui Watch & Clock Co., Ltd., Beijing	Real estate	CNY 40.00	50	○	■
Hengdeli Holdings Limited, Hong Kong	Retail	CNY 22.20	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 48.37	100	●	■
Shanghai Swatch Art Centre Co. Ltd., Shanghai	Retail / art center	CNY 148.41	90	●	■
SMH Les Boutiques (Shanghai) Co. Ltd, Shanghai	Retail	CNY 99.69	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	●	■
Techdura 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	●	▲
<b>South Korea</b>					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 4 300.00	100	●	■
<b>United Arab Emirates</b>					
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	●	■
<b>India</b>					
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 1 030.00	100	●	■
<b>Japan</b>					
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY 3 700.00	100	●	■
<b>Malaysia</b>					
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	100	●	■
<b>Singapore</b>					
The Swatch Group S.E.A. (S) Pte Ltd, Singapore	Distribution	SGD 4.00	100	●	■
The Swatch Group S.E.A. Retail Pte Ltd, Singapore	Retail	SGD 0.50	100	●	■
<b>Thailand</b>					
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	●	■
<b>Oceania</b>					
<b>Australia</b>					
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution	AUD 0.40	100	●	■

## 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 consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 160 to 212), for the year ended 31 December 2010.

#### 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 2010 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  
Audit expert  
Auditor in charge



Roy Bächinger  
Audit expert

Basel, 28 February 2011





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## INCOME STATEMENT OF THE HOLDING

	Notes	2010 CHF million	2009 CHF million
Income from investments in subsidiaries	(1)	621	479
Financial income	(2)	41	45
Other income		17	10
<b>Total income</b>		<b>679</b>	<b>534</b>
Personnel expense		-49	-48
General expense		-18	-12
Depreciation and impairment		-23	-33
Interest expense	(3)	-2	-7
Exchange differences and other financial expenses	(4)	-4	1
Taxes		-2	-2
<b>Total expenses</b>		<b>-98</b>	<b>-101</b>
<b>Net income</b>		<b>581</b>	<b>433</b>

**BALANCE SHEET OF THE HOLDING**

Assets	Notes	<b>31.12.2010</b>	%	31.12.2009	%
		<b>CHF million</b>		CHF million	
<b>Non-current assets</b>					
Property, plant and equipment		<b>11</b>	<b>0.4</b>	14	0.5
Financial assets					
– Long-term loans to Group companies		<b>81</b>	<b>2.8</b>	120	4.3
– Investments in subsidiaries	(5)	<b>2 091</b>	<b>72.0</b>	2 063	74.2
<b>Total non-current assets</b>		<b>2 183</b>	<b>75.2</b>	2 197	79.0
<b>Current assets</b>					
Receivables from Group companies		<b>55</b>	<b>1.9</b>	47	1.7
Other receivables and accrued income		<b>56</b>	<b>2.0</b>	37	1.3
Marketable securities and precious metals	(6)	<b>563</b>	<b>19.4</b>	469	16.9
Cash and cash equivalents		<b>44</b>	<b>1.5</b>	30	1.1
<b>Total current assets</b>		<b>718</b>	<b>24.8</b>	583	21.0
<b>Total assets</b>		<b>2 901</b>	<b>100.0</b>	2 780	100.0

## BALANCE SHEET OF THE HOLDING

Equity and liabilities	Notes	31.12.2010		31.12.2009	
		CHF million	%	CHF million	%
<b>Equity</b>					
Share capital		125	4.3	125	4.5
General reserve		67	2.3	67	2.4
Reserve for treasury shares		293	10.1	629	22.6
Special reserve		1 573	54.2	1 007	36.2
– Profit brought forward		27		33	
– Net profit for the year		581		433	
Available earnings		608	21.0	466	16.8
<b>Total equity</b>	(7)	<b>2 666</b>	<b>91.9</b>	2 294	82.5
<b>Liabilities</b>					
Provisions		147	5.1	155	5.6
Payables to Group companies		57	2.0	307	11.1
Other liabilities		4	0.1	4	0.1
Accrued expenses		27	0.9	20	0.7
<b>Total liabilities</b>		<b>235</b>	<b>8.1</b>	486	17.5
<b>Total equity and liabilities</b>		<b>2 901</b>	<b>100.0</b>	2 780	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

<b>1. Income from investments in subsidiaries</b>	(CHF million)	<b>2010</b>	2009
	Dividends	<b>564</b>	431
	Other income	<b>57</b>	48
	<b>Total</b>	<b>621</b>	479

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies.

<b>2. Financial income</b>	(CHF million)	<b>2010</b>	2009
	Interest income	<b>4</b>	4
	Income and gains on securities	<b>37</b>	41
	<b>Total</b>	<b>41</b>	45

The company recorded capital gains on its investment portfolio of CHF 37 million. This figure was partly offset by losses of CHF 11 million (see Note 4).

**3. Interest expense** In 2010, interest expense decreased by CHF 5 million compared with 2009. The lower interest expense reflects the decrease of the average amount of borrowings.

**4. Exchange differences and other financial expenses** Thanks to currency hedging contracts taken out to protect the Group's companies, the currency translation item was positive by CHF 7 million (2009: CHF 7 million). The loss recorded on the securities portfolio, including other financial expenses, amounted to CHF 11 million (2009: CHF 6 million).

**5. Investments in subsidiaries** The list of 158 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 72.0% of total assets at 31 December 2010 versus 74.2% at end-2009. In absolute terms, the value of investments in subsidiaries amounted to CHF 2 091 million at end-2010. This amount corresponds to consolidated investments and investments in associates, and is CHF 28 million higher than in 2009.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Marketable securities and precious metals

(CHF million)	31.12.2010	31.12.2009
Marketable securities	265	227
Own shares	225	225
Precious metals	73	17
<b>Total</b>	<b>563</b>	<b>469</b>

Marketable securities increased in 2010 by CHF 38 million, mainly due to new investments. 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. The item "Precious metals" consists mainly of a strategic long position in gold.

### 7. Equity

The total value of treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2010 corresponded to 2.9% (versus 5.8% at end-2009) of the nominal value of total share capital.

See table on page 220 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
<b>Balance at 31.12.2009</b>	<b>125</b>	<b>67</b>	<b>629</b>	<b>1 007</b>	<b>466</b>	<b>2 294</b>
Allocated in 2010				230	-230	0
Dividend paid out					-210	-210
Transfer			-336	336	1	1
Net income for the year					581	581
<b>Balance at 31.12.2010</b>	<b>125</b>	<b>67</b>	<b>293</b>	<b>1 573</b>	<b>608</b>	<b>2 666</b>

Compared with end-2009, equity increased by CHF 372 million to CHF 2 666 million in 2010. In percentage of total assets the equity ratio increased to 91.9% at 31 December 2010 (versus 82.5% in the previous year). CHF 336 million have been transferred to the special reserve after conversion of the convertible bond.

#### Share capital

At 31 December 2010, 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
31.12.2009	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2010</b>	<b>124 045 000 at CHF 0.45</b>	<b>30 840 000 at CHF 2.25</b>	<b>125 210 250.00</b>

#### Principal shareholders at 31 December 2010

At 31 December 2010, the Hayek Pool, its related companies, institutions and individuals held 64 385 225 registered shares and 1 025 bearer shares, equivalent to 41.6% of the shares issued at this date (previous year: 41.0%). The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Community of heirs of N.G. Hayek represented by Marianne Hayek		Community of heirs of N. G. Hayek
WAT Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	Descendants U. Ammann-Schellenberg sen.
Swatch Group Pension Fund	Neuchâtel	–

## NOTES TO THE FINANCIAL STATEMENTS

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	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	–
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by Daniela Schneider <sup>1)</sup>
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	–
Wohlfahrtsstiftung der Renata AG	Itingen	–
Fonds de prévoyance d'Universo SA	Neuchâtel	–

<sup>1)</sup> since 1.11.2010 (until 31.10.2010 J.N. Schneider-Ammann)

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.8% of the shares issued at end-2010 (40.2% of the shares issued were controlled by the group of Mr. N. G. Hayek at end-2009). Mrs. Esther Grether's group controlled 7.2% of the shares issued (compared with 7.5% a year earlier). At 31 December 2010, 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 293 million on 31 December 2010 (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 2010 as shown in the table below:

Shares held by:	Registered shares	Bearer shares
	Quantity <sup>1)</sup>	Quantity
<b>The Swatch Group Ltd</b>		
Balance at 31.12.2009	5 086 061	505 000
Acquisitions in 2010		
Disposals in 2010 <sup>2)</sup>	– 230 822	
Cancellations in 2010		
<b>Balance at 31.12.2010</b>	<b>4 855 239</b>	<b>505 000</b>
<b>Other consolidated companies</b>		
Balance at 31.12.2009	8 398 368	0
Acquisitions in 2010		
Conversions in 2010	– 7 895 551	
<b>Balance at 31.12.2010</b>	<b>502 817</b>	<b>0</b>
<b>Total balance at 31.12.2010</b>	<b>5 358 056</b>	<b>505 000</b>

<sup>1)</sup> of which at 31 December 2010 a total of 2 125 677 registered shares were reserved for the management stock option plan (2 356 309 registered shares in 2009).

<sup>2)</sup> The disposals in 2010 related mainly to the management stock option plan.

### Available earnings

In compliance with the resolution approved at the Annual General Meeting of 12 May 2010, a dividend of CHF 0.80 per registered share and of CHF 4.00 per bearer share was appropriated from available earnings as at 31 December 2009. The total dividend amount paid to shareholders in 2010 came to CHF 88 514 576 on the registered shares and CHF 121 340 000 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 12 741 424, thus constituted an integral part of equity at 31 December 2010. Finally, CHF 230 million was appropriated from available earnings at 31 December 2009 and allocated to the special reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### Off-balance-sheet items

#### Contingent liabilities

At end-2010, guarantees provided by The Swatch Group Ltd amounted to CHF 582 000 (compared with CHF 422 992 400 a year earlier). This item relates to a guarantee of GBP 400 000 to cover a lease commitment taken out by one of the Group's companies (unchanged to 2009). In the prior year, a guarantee of CHF 422 322 400 was given relating to a convertible bond issued by The Swatch Group Finance (Luxembourg) SA. The guarantee ended at maturity date (15 October 2010).

#### Fire insurance values

At 31 December 2010, the fire insurance value of property, plant and equipment amounted to CHF 39 273 700 (CHF 40 995 100 at end-2009).

#### Assets pledged

None of the company's assets are pledged.

#### Commitments

Other commitments entered into by the company and open at 31 December 2010 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 2010.

Type	Contract value			Positive replacement value			Negative replacement value		
	Third party	Group	Total	Third party	Group	Total	Third party	Group	Total
(CHF million)									
Forward contracts	307	264	571	4	2	6	0	-9	-9
Options	0	0	0	0	0	0	0	0	0
<b>Total at 31.12.2010</b>	<b>307</b>	<b>264</b>	<b>571</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>-9</b>	<b>-9</b>
Total at 31.12.2009	454	271	725	3	1	4	-1	-3	-4

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2010 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2010 relate to 31 positions held in precious metals and in foreign currencies (previous year: 30). 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 2010, there was no option outstanding (none in the previous year).

### Liabilities to pension plans

The balance sheet as at end-2010 contained a liability of CHF 269 359 to pension plans (no liability to pension in 2009).

### 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:

	2010	2009
	CHF	CHF
Net income for the year	581 132 549	432 821 927
Profit brought forward from previous year	26 464 284	33 496 933
<b>Available earnings</b>	<b>607 596 833</b>	466 318 860
Allocation to special reserve	–300 000 000	–230 000 000
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
Payment on share capital of CHF 125 210 250.00 <sup>1)</sup> of a 2010 dividend, i.e.:		
– CHF 1.00 per registered share with a par value of CHF 0.45	–124 045 000	
– CHF 5.00 per bearer share with a par value of CHF 2.25	–154 200 000	
Dividends not paid out on own shares held by the Group <sup>2)</sup>		12 741 424
<b>Balance carried forward</b>	<b>29 351 833</b>	26 464 284

<sup>1)</sup> It is planned not to pay dividends on own shares held by the Group.

<sup>2)</sup> Based on the decision of the Annual General Meeting of 12 May 2010, 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, which comprise the income statement, balance sheet and notes (pages 215 to 221), for the year ended 31 December 2010.

### 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 2010 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  
Audit expert  
Auditor in charge



Roy Bächinger  
Audit expert

Basel, 28 February 2011

## THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding/ Average share capital	2010 basic	2009 basic	2008 basic	2007 basic	2006 basic
Number of registered shares of CHF 0.45	113 103 548	110 446 207	111 605 632	115 882 234	118 110 673
Number of bearer shares of CHF 2.25	30 335 000	30 335 000	30 596 542	31 485 875	31 981 500
Total average number of shares outstanding	143 438 548	140 781 207	142 202 174	147 368 109	150 092 173
Share capital registered shares of CHF 0.45	50 896 597	49 700 793	50 222 534	52 147 005	53 149 803
Share capital bearer shares of CHF 2.25	68 253 750	68 253 750	68 842 220	70 843 219	71 958 375
Total average share capital	119 150 347	117 954 543	119 064 754	122 990 224	125 108 178

Key data per registered share (nom CHF 0.45) in CHF	2010	2009	2008	2007	2006
Consolidated net income	4.05	2.89	3.15	3.70	2.97
Cash flow from operating activities	5.11	3.39	1.93	3.20	3.18
Consolidated shareholders' equity	26.77	22.74	20.55	19.43	17.83
Dividend	1.00 <sup>1)</sup>	0.80	0.85	0.85	0.70

Key data per bearer share (nom CHF 2.25) in CHF	2010	2009	2008	2007	2006
Consolidated net income	20.27	14.47	15.75	18.49	14.87
Cash flow from operating activities	25.55	16.99	9.67	16.01	15.89
Consolidated shareholders' equity	133.83	113.85	102.73	97.13	89.17
Dividend	5.00 <sup>1)</sup>	4.00	4.25	4.25	3.50

Stock price of registered shares (adjusted)		2010	2009	2008	2007	2006
High		78.50	51.70	66.75	76.50	54.95
Low		50.40	23.05	23.20	53.90	38.50
	31.12.	75.40	49.40	28.50	66.85	54.50

Stock price of bearer shares (adjusted)		2010	2009	2008	2007	2006
High		434.80	268.75	340.00	397.00	274.00
Low		262.20	118.50	115.50	266.25	184.10
	31.12.	416.80	261.90	145.80	341.25	269.25

Market capitalization (CHF million)	31.12.	22 207	14 205	8 032	19 367	15 882
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Key ratios (year-end)		2010	2009	2008	2007	2006
Average return on equity	%	16.5	13.3	15.5	19.7	17.3
Dividend yield registered shares	%	1.3	1.6	3.0	1.3	1.3
Dividend yield bearer shares	%	1.2	1.5	2.9	1.2	1.3
Price/earnings ratio – registered shares		18.6	17.1	9.0	18.1	18.3
Price/earnings ratio – bearer shares		20.6	18.1	9.3	18.5	18.1

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

<sup>1)</sup>Board of Directors' proposal.

### Evolution of the Swatch Group Ltd registered shares and the Swiss Market Index (1988–2010)



**"Swatch Group is a pearl which  
is going to grow and give pleasure to its employees and clients.  
My operational part of the business will always become smaller,  
but my visions will stay."**

**NGH**





**The Swatch Group Ltd**

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