

Occupy  
your people

SWATCH GROUP  
ANNUAL REPORT  
2011





Occupy  
your people

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ANNUAL REPORT  
2011

Occupy  
your  
wrist

Occupy  
your  
wrist





swatch *ART*



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The text on pages 1 to 128 is originally published in French, the text on pages 129 to 140 in German and the text on pages 141 to 216 in English. These original versions are binding.



# MESSAGE FROM THE CHAIR

Dear Madam, Dear Sir,  
Dear Co-Shareholders,

Our company's working year is once again ending with a brilliant series of records:

- Gross sales exceeding seven billion Swiss francs for the first time, standing at 7143 million, with constant exchange rates, exceeding 2010's figures by more than 21%.
- Operating profit of 1614 million Swiss francs, more than 12% higher than the previous year.
- Operating margin of 23.9% versus 23.5%, despite unfavorable exchange rates and inflated prices of raw materials.
- Net income of 1276 million Swiss francs, an increase of more than 18%.
- Equity over eight billion Swiss francs for the first time, equal to an equity ratio of over 82%.
- And, finally, the creation of more than 2800 new jobs in 2011 alone, which brings our staff complement to slightly more than 28 000 people.

These extraordinary results confirm the pertinence of the strategy followed by Swatch Group since its creation in the Eighties. This is a long-term, concrete policy, a strategy for the *real* economy. Our results successfully reflect both the energy invested by our 28 000 employees to dream up and create the products on your wrist as well as the constancy with which our Board of Directors and Management unhesitatingly follow the path that we set for ourselves 30 years ago. Expanding production capacities in Switzerland. Increasing and maintaining the number of jobs. Rediscovering rare crafts that are forgotten or verging on extinction. Making sure know-how is preserved. Demanding creativity in all fields of watchmaking – not

only in the prestigious high-end mechanical or luxury segments, but also in those that target a broader audience. An industrial strategy, a product-driven strategy in pursuit of our goal: Occupy Your Wrist!

Occupy Your Wrist! is not only the spirit that drives our company, our teams and our senior management. Occupy Your Wrist! is also the symbol of the indispensable reconquering of the world's economy. A stabilization that requires the maintenance and development of a dense industrial base, with a large number of employees. An industrial base offering a large number of jobs whose variety, complexity and prerequisites are such that every individual stands a chance of finding a challenging, rewarding position. In Switzerland, of course, because it is our country and comes to mind first, but also in the rest of the world. Occupy Your People!

Twenty-eight thousand. Every day, 28 000 of us fight to maintain this course and to preserve our company culture, 28 000 fighting to defend everything that a quest for short-term profit margins might destroy. 28 000 fighting to reinforce the power of the industrial world over the global economy. A power exercised by the *real* economy and which must counterbalance that of the financial world that has caused such enormous difficulties, to the point of jeopardizing democratic traditions in several European countries.

In the particular case of our watchmaking industry, we must maintain and create many kinds of activities through a rich palette of trades essential to the extreme diversity of our products. Products that range from the brilliant simplicity of a Swatch New Gent watch with a 51-part

movement to the most affordable mechanical movements. From the Swatch Touch, integrating the most sophisticated touch technology at a reasonable price, to the most complex and innovative calibers such as our Omega Co-Axial movement or our column-wheel chronograph from Longines. Not to mention the most ambitious in terms of sophistication and watchmaking, like Breguet's 10 Hz balance and its silicon balance-spring, or Blancpain's movements comprising hundreds of components. The brand produces a caliber that boasts no fewer than 450 parts! And that is only to mention a small number of our extraordinary products.

What is the motor, the heart of all this? In watchmaking, when we speak of the motor or of the heart, quartz crystals or the inseparable balance-and-spring assembly inevitably come to mind. No! At the heart of all this you will not find any particular watchmaking element involving a demanding design process and complex manufacturing, such as the components made by Nivarox-FAR. No! At the heart of all this is the human being. Executives, engineers, watchmakers, workers, employees, all those who work each day to manufacture and assemble countless elements and to turn them into fascinating, attractive, amusing, extraordinary, fashionable products. Products that attract numerous clients in every country across the world. Occupy Your Heart!

Just think of Swatch Group's strength and its sheer global presence! We are of course on the Place Vendôme and on the Champs-Élysées in Paris; we are naturally on the Bund in Shanghai, on Causeway Bay in Hong Kong, on Red Square in Moscow, in the Dubai Mall in Dubai, on Fifth Avenue in





New York, on the Rue du Rhône in Geneva and many other prestigious places. But we are not only to be found in famous locations in big city centers; we are also present in places where people live, to which they travel and where they admire works of art, such as the Venice Biennial, or where the biggest sports events take place: in a word, everywhere! More than 900 Swatch boutiques, several hundred mono-brand or multi-brand boutiques, thousands of retail partners. Substance. Reality. Swiss Made. Not investment funds made of ethereal matter.

And our products are on your skin, on your wrist, accompanying you when you wear them, doubtless more to add pleasure to the moment than to count the passing seconds. Unique intimacy. Occupy Your Wrist!

It is this reality of our *real* production of *real* products that is our strength. We remain sound, focused on the long term, single-minded in our growth strategy. Even the continuing weakness of the euro and of the currencies linked to the dollar which has unhealthily reinforced our national currency and resulted in a massive drop in our turnover of around 700 million Swiss francs hasn't stopped us from having a record year. At 23.9%, we have exceeded last year's already very high operating margin. This has been achieved by increased productivity and traditionally strict cost control – which remains one of the elements of our strategy to which I am most firmly committed. And this despite the highly unfavorable exchange rate development and the high increase in the price of important raw materials for our sector of activity such as gold or diamonds. Moreover, it has also been done without abandoning Swatch Group's traditional long-term policy. The latter approach

has indeed been expressed through almost 580 million francs' worth of industrial investments in 2011; through renouncing short-term price increases and instead concentrating on increasing market share; and through intensifying marketing activities, which we did in 2011 in all price segments and for all our brands.

At the General Assembly on May 16, 2012, the Swatch Group Board of Directors will propose a dividend of CHF 5.75 per bearer share and CHF 1.15 per registered share. This distribution to shareholders, up by 15% compared to the previous year, is in line with the record results achieved in 2011 and is also an indication of confidence in the prospects for the activities to be continued in 2012. Indeed, it is our opinion that 2012 will see continued advancement. For example, in 2012, the month of January ended with double-digit growth in the Watch & Jewelry segment, even compared to January 2011, which had already been exceptional.

We are very well-equipped to take on the future. Swatch Group will continue to invest intelligently in its distribution network worldwide and energetically in its production capacity in Switzerland, in all segments, and despite the fact that the Swiss franc is over-valued compared to the rest of the world's currencies. Of course, when we are breaking all records, it becomes increasingly difficult to surpass ourselves. Our friend, Michael Phelps, can

undoubtedly confirm this. But we are taking on the challenge confidently and we will maintain this course with conviction.

I would like to thank the Board of Directors, the Executive Management Board and the Extended Group Management Board, all our colleagues in Switzerland and all over the world, for their support of our strategic directions and for their commitment to making them a reality.

Occupy Your Wrist!

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



# SWATCH GROUP OPERATIONAL ORGANIZATION

as at December 31, 2011

## WATCHES



### Prestige and Luxury Range

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

### High Range

Longines  
Rado  
Union Glashütte

### Middle Range

Tissot  
Balmain  
Certina  
Mido  
Hamilton  
ck watch & jewelry

### Basic Range

Swatch  
Flik Flak

## 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  
Novi  
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 Ingénieurs Conseils  
en Brevets  
Swatch Group Quality  
Management  
Swatch Group Services  
(Logistics, IT Services,  
Corporate Customer  
Service)  
Swatch Group  
Immeubles



# SWATCH GROUP ORGANIZATION AND DISTRIBUTION IN THE WORLD

as at December 31, 2011

## SWATCH GROUP SUBSIDIARIES

### EUROPE

▲  
  
Austria  
Belgium  
Denmark  
Finland  
France  
Germany  
Greece  
Italy  
Luxemburg  
The Netherlands  
Norway  
Poland  
Russia  
Spain  
Sweden  
Switzerland  
United Kingdom and  
Ireland

### AMERICAS

▲  
  
Brazil  
Canada  
Mexico  
Panama  
USA

### OCEANIA

▲  
  
Australia

### FAR EAST

▲  
  
China  
Hong Kong  
India  
Japan  
Macau  
Malaysia  
Singapore  
South Korea  
Taiwan  
Thailand

### MIDDLE EAST

▲  
  
United Arab  
Emirates

### AFRICA

▲  
  
South Africa

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



# SWATCH GROUP BOARD OF DIRECTORS

as at March 1, 2012



**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





**ERNST TANNER**

▲  
Vice-Chairman



**ESTHER GRETHER**

▲



**NICK HAYEK**

▲



**PROF. DR H.C. CLAUDE NICOLLIER**

▲



**DR JEAN-PIERRE ROTH**

▲

The function descriptions and responsibilities of the Board of Directors members at December 31, 2011, are outlined in the Corporate Governance chapter on pages 132 to 133 of the present Annual Report.



# SWATCH GROUP EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2012



**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



**MARC A. HAYEK**

▲  
Breguet  
Blancpain  
Jaquet Droz  
François Golay  
Deutsche Zifferblatt Manufaktur  
Swatch Group Panama



**DR THIERRY KENEL**

▲  
Corporate Finances/Reporting  
Investor Relations



**DR HANSPETER RENTSCH**

▲  
Legal  
Licenses  
Strategic projects  
Patents (ICB)  
Swatch Group Greece  
Swatch Group Poland



**ROLAND STREULE**

▲  
Swatch Group South Africa  
(until March 31st, 2012)



**FRANÇOIS THIÉBAUD**

▲  
Tissot  
Certina  
Mido  
Union Glashütte  
Swatch Group Brazil  
Portugal  
Swiss market



# SWATCH GROUP EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2012



**MATTHIAS BRESCHAN**

▲  
Rado  
Hamilton  
Swatch Group Austria  
Swatch Group Mexico



**PIERRE-ANDRÉ BÜHLER**

▲  
ETA Manufacture Horlogère Suisse



**YANN GAMARD**

▲  
Glashütte Original  
Logistics  
Swatch Group Germany  
Swatch Group Belgium  
Swatch Group Netherlands  
Swatch Group Nordic  
Swatch Group United Kingdom and  
Ireland



**WALTER VON KÄNEL**

▲  
Longines



**THOMAS MEIER**

▲  
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, 2011, are outlined in the Corporate Governance chapter on pages 134 to 137 of the present Annual Report.

# DEVELOPMENT OF THE SWATCH GROUP

<b>Swatch Group consolidated</b>		<b>2011</b>	2010	2009	2008	2007
<b>Gross sales</b>	<b>CHF million</b>	<b>7 143</b>	6 440	5 421	5 966	5 941
– Change from previous year	%	<b>10.9</b>	18.8	–9.1	0.4	17.6
<b>Net sales</b>	<b>CHF million</b>	<b>6 764</b>	6 108	5 142	5 677	5 646
– Change from previous year	%	<b>10.7</b>	18.8	–9.4	0.5	17.1
<b>Operating profit</b>	<b>CHF million</b>	<b>1 614</b>	1 436	903	1 202	1 236
– As a % of net sales	%	<b>23.9</b>	23.5	17.6	21.2	21.9
<b>Net income</b>	<b>CHF million</b>	<b>1 276</b>	1 080	763	838	1 015
– As a % of net sales	%	<b>18.9</b>	17.7	14.8	14.8	18.0
– Change from previous year	%	<b>18.1</b>	41.5	–8.9	–17.4	22.3
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>705</b>	1 353	890	511	875
– As a % of net sales	%	<b>10.4</b>	22.2	17.3	9.0	15.5
<b>Equity</b>	<b>CHF million</b>	<b>8 071</b>	7 101	5 981	5 451	5 329
– As a % of total assets	%	<b>82.3</b>	82.4	77.6	75.3	71.5
<b>Total assets</b>	<b>CHF million</b>	<b>9 805</b>	8 614	7 706	7 235	7 447
Personnel as at 31.12.	Employees	<b>28 028</b>	25 197	23 562	24 270	23 577
Annual average	Employees	<b>26 777</b>	24 240	23 727	24 269	22 505
Salaries and social benefits	CHF million	<b>1 818</b>	1 634	1 596	1 633	1 595

<b>The Swatch Group Ltd</b>		<b>2011</b>	2010	2009	2008	2007
Dividend income	CHF million	<b>739</b>	564	431	795	609
<b>Net income</b>	<b>CHF million</b>	<b>756</b>	581	433	672	586
Investments	CHF million	<b>2 137</b>	2 091	2 063	2 045	2 030
Share capital	CHF million	<b>125</b>	125	125	125	129
Equity	CHF million	<b>3 151</b>	2 666	2 294	2 084	2 190
– As a % of total assets	%	<b>93.3</b>	91.9	82.5	71.4	68.6
<b>Total assets</b>	<b>CHF million</b>	<b>3 377</b>	2 901	2 780	2 920	3 191
<b>Dividend*)</b>	<b>CHF million</b>	<b>320.0</b>	270.2	209.9	222.7	224.9
– As a % of share capital	%	<b>256.0</b>	216.2	167.9	178.2	174.3

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

In May 2012, proposal by the Board of Directors at the Annual General Meeting.



# BIG BRANDS

WATCHES  
AND JEWELRY –  
RETAILING  
AND LANDMARKS



swatch<sup>®</sup>+





# SWATCH MULTITALENTED TECHNOLOGY

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

## TRENDS

For Swatch, 2011 saw the extension of New Gent's spectacular success. Launched in 2010, this plastic model reinterpreting the brand's DNA continued to win new customers on five continents, all attracted by its trendy colors, the easy readability of its large dial and the comfort of its silicone strap.

The three New Gent models by American designer Jeremy Scott were such a huge success that they sold out in a few days in London and Hong Kong. The year's other collections were all just as colorful as the Zebra watches.

In October, Swatch launched a worldwide first – the Swatch Touch – a digital watch with a touch screen that filled a gap in its product range and was thus eagerly awaited by its admirers. The brand took up the challenge with the Swatch Touch and initial sales were promising, suggesting a great future for this new line.

The brand maintained distribution expansion objectives while consolidating its image, notably by following up on the implementation of its retail concept, Ice Dunes. This strategy was solidified in 2011 with the opening of several boutiques around the world and through ambitious renovation plans. These actions enabled Swatch to increase the total number of

boutiques to 900, with nearly 200 openings and various renovations during the 2011 fiscal year. In addition, the brand also inaugurated flagship stores in Hong Kong, Beijing, St. Petersburg and Jeddah. The renovation of the boutique on the Champs-Élysées in Paris and its London counterpart in Oxford Street as well as the inauguration of another in Fifth Avenue, New York, and one in the Swatch Art Peace Hotel in Shanghai all provided key moments during the year.

Asia saw Swatch greatly increase its presence and help a new client segment discover the joys of the plastic watch through its reinforced network of retailers and shop-in-shops.

Despite a difficult economic climate in many countries, there was a steady increase in demand across the European markets, which continued to be attracted by the colorful wave of the Colour Codes and New Gent models that were joined in 2011 by the Lady double tour watch. The inauguration of the prestigious address in St. Petersburg and the opening of two points of sale in Sochi, which is preparing for the 2014 Olympic Winter Games, enabled the brand to consolidate its strategy in Russia.

In North America, Swatch also enjoyed stable growth. In South America, the brand reinforced visibility by organizing the very

first Swatch Skiers Cup in the Chilean Andes. Present at the prestigious Latin American fashion weeks in Buenos Aires, Medellín, São Paulo and Santo Domingo, Swatch re-affirmed its image and its leadership in the sector, also slightly increasing its turnover in the region.

In the Middle East, Swatch continued its exceptional growth, the result of the development of its distribution, effective marketing activities and intensive sales staff training activities. ▲





## CREATION

Art, sport and fashion continued to be the three pillars on which Swatch based the collections it introduced monthly. Punctuated with two major launches, 2011 proved to be an excellent vintage: plastic and tactile.

### The Lady

Launched in February, the Lady watch carried on the Colour Codes revolution and reinterpreted it to feminine extremes. It was offered in a chromatic variation with ten plastic models and the most contemporary plastic hues, presented on flowing double silicone straps, offered at the same price as the original ladies' models in the 1980s.

### Swatch Touch

Presented in October, Swatch Touch is a digital watch with a highly original button-free design. Its curved LCD touch screen allows the wearer to move from one to the other of its six functions with a light touch. With urban graphics displaying the time, this new creation is available in five bold colors, as well as in a chic camouflage version.

### Colour Codes

A veritable phenomenon, the Colour Codes Collection was refreshed with new colors. The 15 gents' watches introduced in 2011 were offered in five sparkling colors, five metallic versions and five explosive camouflage options.

### New Gent

In 2011, the New Gent collection consisted of ten new models with a subtle range of fashionable colors. Its generous 41-millimeter diameter case provided designers with more space where they could let their creativity loose. American fashion designer Jeremy Scott, German artist Markus Linnenbrink and Norwegian snowboarder Terje Haakonsen successfully transposed their respective worlds of fashion, art and sport into timepieces.

### New Irony Big

Consisting of six watches with perfectly integrated leather straps or metal bracelets, the New Irony Big collection reinterprets the brand's classic, now mounted in a 43-millimeter case and integrating an innovative seconds hand.

### Full Blooded Man

In 2011, the Full Blooded collection was produced for the first time in a men's version, offering five watches with autumnal colors and two *skull* versions decorated with... skulls.

### Swatch & Art

The original collections registered in the Swatch & Art collection were designed in collaboration with Swatch by American fashion designer Jeremy Scott, Japanese artist and mangaka Hiroyuki Matsuura, English photographer Rankin, French sculpture artist Jean-Michel Othoniel and the 7273 Franco-Swiss dance company.

### Kidrobot for Swatch

Eight exceptional Gents' models make up this collection created with Kidrobot, a lifestyle brand famous for its art figurines. Each watch is offered with its own matching dunny. A special boxed set with the entire collection was produced targeting collectors, while a ninth model was created for members of the Swatch Club.

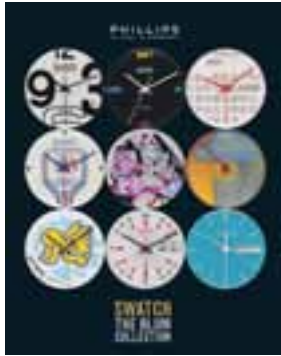
### Specials

Swatch continued to celebrate special occasions with new editions of watches inspired by the world of fashion, art and sport. In 2011, models were created for Valentine's Day, Chinese New Year and Mother's Day. Editions were also dedicated to sports such as beach-volleyball and snowboard. Collaboration with Jakob Schlaepfer, the Swiss haute couture fabric manufacturer, was also renewed. ▲









## PRESENCE

### Swatch and Jeremy Scott at Colette

The presentation of 2011 creations in the Art, Fashion & Sport collections took place in March during the Parisian Fashion Week at the famous Colette boutique. Benefitting from the presence of fashion designer Jeremy Scott, who signed a number of the collections' most provocative models, the event attracted 130 national and international journalists, bringing considerable media coverage to the brand.

### Kidrobot for Swatch in New York and Shanghai

A number of events – of which the most iconic took place in the New York flagship store on Fifth Avenue and at the Swatch Art Peace Hotel in Shanghai – organized for the launch of the Kidrobot models saw one or more of the eight artists who contributed to the collection offer a live painting performance, creating designs on a maxi-Swatch and its maxi-dunny.

### Swatch and the Venice Biennial

Swatch entered into an exceptional partnership by becoming the first exclusive sponsor of the oldest and most famous biennial event devoted to contemporary art. This collaboration enabled it to reinforce its already considerable links with the art world, emphasized by the opening ceremony attended by 250 members of the international press. The presentation of the most recent Swatch & Art collection with sculpture artist Jean-Michel Othoniel, who created several models, an exhibition of Swatch model basics created by artists for the past quarter of a century in a multimedia environment, and an exclusive event at the Peggy Guggenheim Foundation provided moving moments that marked the occasion. The Swatch Pavilion and the brand's lounge were two of the most popular meeting places throughout the Biennial.

### Exceptional Blum collection

Consisting of 4363 watches retracing the history of Swatch, including the earliest prototypes and pieces signed by Keith Haring and Alessandro Mendini that had never been marketed, the Blum collection was sold for more than 6 million Swiss francs. Iconic models from the collection were exhibited in New York, London and at the Swatch Art Peace Hotel in Shanghai prior to being taken to Hong Kong where the auction was held by Phillips de Pury & Company.

### Advertising

The New Gent collection benefitted from huge advertising in the media and in boutiques all over the world. Organized in March and September, the campaigns were flighted in more than 50 markets, culminating in giant billboards at the Conciergerie in Paris and Times Square in New York.

### Swatch MTV Playground

The Swatch MTV Playground project was reinforced with contributions from 85 international bloggers, all key players in the world of art and fashion. Photographer Rankin and designers Alex Noble and Fred Butler were also invited to participate in this Internet platform and were the subject of a show entitled Talk@Playground, during which they were joined by Jean Charles de Castelbajac, The Black Eyed Peas, Kelis and Juliette Lewis.

### Swatch Touch at the MTV EMAs and everywhere in the world

Swatch sponsored the MTV European Music Awards organized in Belfast and broadcast to more than 600 million homes. For the occasion, the brand opened a pop-up store and presented its Swatch Touch to the press, with a launch celebrated by snap dance performances registered by a mobile application. Talked about the world over, the touch screen watch was a considerable success, notably in Europe and Asia, and the subject of much noticed advertising in Causeway Bay in Hong Kong.

### Swatch online/mobile

Available in 19 languages, the swatch.com site was refreshed and optimized for mobile navigation. In addition, an iPad application was also designed for the occasion of the inauguration of the Venice Biennial, allowing users to rediscover all the Swatch watches created by artists from the brand's beginnings to the present day.

### Sporting events

Swatch continued to support major sporting events organized all over the world in a number of different active sports disciplines.







The 2011 FIVB Beach Volleyball Swatch World Tour competition featured strong new venues and included a return to the iconic Beijing Olympic Games site, as well as to the African continent thanks to its first ever event in Morocco. The FIVB Beach Volleyball Swatch World Championships saw the discipline's international elite take each other on at the Foro Italico in Rome in competitions worthy of the greatest gladiators.

The Swatch Art Rules design competition linked to the TTR Snowboard Tour took place in Stockholm where Swatch presented the trophy and the TTR watch created by prizewinner "Frankie" Chi Fong Leong and crowned the TTR champions for the 2011–2012 season.

Swatch renewed its partnership with the Red Bull X-Fighters World Tour and repeated the organization of the Swatch Free4Style at Estavayer-le-Lac, Switzerland, side by side with Swatch ProTeam freestyle rider Mat Rebeaud.

Taking part in the Freeride World Tour for the first time, Anne-Flore Marxer won the snowboard world champion title. Xavier De Le Rue, co-member of the Swatch ProTeam, also ended the season with a podium finish, placing third in the overall ranking.

Created by the skiers of the Swatch ProTeam, Kaj Zackrisson and Sverre Liliequist in collaboration with Swatch and the Freeride World Tour, the first Swatch Skiers Cup, the "Ryder Cup" of freeride skiing, took place in Chile where the European team beat their American counterparts, taking the trophy back to the Old Continent for a year.

The UCI BMX Supercross by Swatch took place at five different locations. Swatch was also official timekeeper and data handler at the BMX Supercross World Cup and the BMX World Championships. The Swatch Girls Pro France took place at Hossegor-Seignosse, where Swatch ProTeam surfer, Courtney Conlogue, finished in third place at the end of a spectacular semi-final against Australian champion, Sally Fitzgibbons; Coco Ho and Pauline Ado also finished well.

The final round of the women's longboard world championships and the first professional surf competition to be organized in China, the Swatch Girls Pro China, took place on the beautiful island of Hainan, where Swatch ProTeam longboarder, Kassia Meador, finished in third place.

#### Swatch ProTeam

Swatch encourages sporting talents who share its values of innovation and non-conformity. These athletes love their sport and have considerable influence in their respective disciplines.

#### Swatch Club

The Swatch Club has become a focal point of the Swatch community by bringing together fans of art, fashion and sport who wish to share their passion for the brand. In 2011, members of the Swatch Club enjoyed two key moments. The Gold and Pioneer Event brought them to ETA and Biel, the heart of the brand, for an exceptional visit. On this occasion they were given a special Swatch Club watch model, a Kidrobot creation with a matching dunny that was christened Swatch-Tennis-Pro and signed by artist, Frank Kozil. The Christmas event was the first international Swatch Club happening in Asia, held in Shanghai and Hong Kong, where members had the privilege of attending the auction of the extraordinary Blum Collection. Winner of the Swatch Young Illustrators Award, illustrator Julien Pacoud, signed the Vanishing Time watch, a creation featuring surreal aesthetics and exclusively produced for Swatch Club in a limited edition of 777 numbered pieces. Finally, members of the Swatch Club continued to experience the world of their favorite brand through the magazine, *The Voice*, and the [www.swatch.tv](http://www.swatch.tv) platform. ■

#### Swatch ProTeam

**Snowboard:** Terje Haakonsen (NOR), Anne-Flore Marxer (CHE), Jeremy Jones (USA), Nicolas Müller (CHE), Xavier De Le Rue (FRA), Jan Scherrer (CHE), Christian "Hitsch" Haller (CHE) and Nadia Purtschert (CHE).

**Freestyle:** Phil Meier (CHE), Sverre Liliequist (SWE), Kaj Zackrisson (SWE), Cody Townsend (USA), Richard Permin (FRA), Seb Michaud (FRA), Marja Persson (SWE) and Ane Enderund (NOR).

**Surf:** Coco Ho (USA, Hawaii), Pauline Ado (FRA), Courtney Conlogue (USA) and Kassia Meador (USA).

**FMX (Freestyle motocross):** Mat Rebeaud (CHE), Robbie Maddison (AUS), Levi Sherwood (NZL) and Lance Coury (USA).

**Beach-volleyball:** Talita Antunes da Rocha & Maria Elisa Antonelli (BRA), Sara Goller & Laura Ludwig (DEU), Simone Kuhn & Nadine Zumkehr (CHE), Jefferson Bellaguarda & Patrick Heuscher (CHE), Raul Mesa & Inocencio Lario Carrillo (ESP) and Clemens Doppler & Matthias Mellitzer (AUT).



swatch<sup>®</sup>BIJOUX

# SWATCH BIJOUX REBELLIOUS GAIETY

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

## TRENDS

Swatch Bijoux results remained constant in 2011 right across the markets, with its largest growth in Eastern Europe.

A new jewelry segment at attractive prices was successfully created, resulting in an increase in impulse buying and attracting a younger clientele.

In design terms, jewelry collections are inspired by Swatch watches, offering the same colors and bright materials.

## CREATION

Monthly product launches increased visits to shops.

### Spring – Summer

Colour Codes straps in ten sizzling colors and featuring multiple leather wind-arounds led to immediate success for Swatch Bijoux. Fitting perfectly into the color-blocking trend which involves putting together different hues to create brightly colored outfits, this product appealed to fashionistas from all over the world. The collection also consists of fun necklaces with a skull pendant, as well as a jewelry line created by the artist, Grems.

### Autumn – Winter

With the Strong Feeling line decorated with sparkling crystals and the Pearl Tears and Golden/Silver Evening special collections, Swatch Bijoux revealed an elegant, sophisticated collection, which is a perfect expression of the festive spirit characterizing the end of year season. The five versions of the Rebel Bangle strap – a must-have accessory – were also a great success with the press and were publicized in many fashion magazines.

## PRESENCE

In 2011, several prestigious fashion magazines presented Colour Codes straps in their shoots.

The people responsible for Swatch Bijoux in the various markets demonstrated bright creativity during a number of organized press events, providing the brand with highly positive spin-off effects. ■

# OMEGA FASCINATING PLANET OMEGA

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



## TRENDS

In 2011, Omega continued to focus on an enhanced distribution network, targeted global communications and the extension of the best series-produced collection of mechanical watch movements in the world. The Co-Axial technology at the heart of most of Omega's mechanical wristwatches was further developed and the year saw the launch of the chronograph calibre 9300/9301. Omega's confidence in the quality of its Co-Axial movements is such that each watch equipped with one is offered with a four-year warranty.

High-profile events and compelling new partnerships generated positive media coverage throughout the year. In May, Omega launched the upgraded Planet Ocean. The collection combines professional dive features, Co-Axial movements and eye-catching design. With ecologist/photographer Yann Arthus-Bertrand, Omega will produce a film called *Planet Ocean*, aimed at raising global awareness of oceanic health.

In July, Omega signed a long-term agreement with The PGA (Professional Golfers' Association) of America. The contract with the world's largest working sports organization means that Omega will be official timekeeper at leading tournaments including The PGA Championship and the Ryder Cup. It underscored Omega's commitment to driving the growth of golf around the world.

In 2011, Omega opened eleven corporate boutiques in the United States, bringing the total there to 20. Nearly 250 Omega boutiques are now located at the world's best shopping addresses. ▲







## CREATION

### The Seamaster Planet Ocean Collection

The watches in Omega's Seamaster Planet Ocean collection have been held in equally high regard for their professional dive features, their style and their innovative technology since they were introduced in 2005. In 2011 Omega updated the family. Like every Planet Ocean, the new watches are ready for underwater adventure and are equipped with unidirectional rotating bezels, helium escape valves and water resistance to 60 bar (600 meters/2000 feet). They are powered by Omega's exclusive proprietary Co-Axial movement; each is equipped with a silicon balance spring and comes with a four-year warranty.

### The Speedmaster Omega Co-Axial Chronograph

In 2011, Omega introduced the Speedmaster Omega Co-Axial Chronograph, an innovative new watch housing the Co-Axial calibre 9300/9301. While it shares some elements with the original Speedmaster Professional, it has some distinguishing features that will attract an even wider audience to the world's favorite chronograph. It has two sub-dials instead of the three normally associated with the Speedmaster and the placement of the 12-hour and 60-minute counters in the same sub-dial at 3 o'clock allows a comfortable and intuitive chronograph reading.

### The Ladymatic

The Omega Ladymatic was introduced in 2010 to an enthusiastic reception and in 2011, new models in the collection attracted even more attention to a family of women's watches appreciated equally for its eye-catching design and its cutting edge mechanical movements. The Ladymatic was created for women who are intrigued by – literally – what makes a watch tick, and are interested in its design both outside and in. The Ladymatic's glamour is expressed in the fluid femininity of its design based on the subtle abstract concept of a wave. The bold 34-millimeter case has sides adorned with a relief wave pattern over a super-durable ceramic ring. Each one is equipped with a Co-Axial calibre 8520/8521 and a silicon balance spring.

### The De Ville Hour Vision Blue

Omega and Daniel Craig support Orbis International and its Flying Eye Hospital, an organization that leads the fight against global preventable blindness. The Hour Vision Blue was created to help raise awareness of Orbis's remarkable work. The special edition of the Hour Vision has a robust 41-millimeter stainless steel outer case and is equipped with Omega's

Co-Axial calibre 8500. Adding distinction to the timepiece is its sun-brushed blue dial designed especially for this Hour Vision Model. Omega has guaranteed to contribute at least a million US dollars to Orbis International over the next four years.

### The Seamaster 1948 Co-Axial "London 2012" Limited Edition

To commemorate the return of the Olympic Games to London for the first time since 1948, Omega created the Seamaster 1948 Co-Axial "London 2012" Limited Edition. The watch is a redesign of Omega's first automatic Seamaster, a timeless classic that is as stylish now as it was more than sixty years ago. It features a 39 millimeter polished and brushed stainless steel case with an 18-carat yellow gold medallion embossed with the London 2012 Olympic Games logo fixed in the caseback. It is distinguished by a small seconds subdial at 6 o'clock. It is powered by the exclusive Omega calibre 2202, an officially-certified chronometer equipped with a Co-Axial escapement. The special Seamaster is presented on a black leather strap and was produced in a limited edition of 1948 pieces. ▲



### The Constellation

#### 27 mm Omega Co-Axial

In 2011, Omega introduced Constellation 27-millimeter ladies' models equipped with the brand's proprietary Co-Axial calibre 8520/8521 and a silicon balance spring. Crafted from 18-carat red or yellow gold, in bicolor versions with 18-carat gold and stainless steel, or in understated stainless steel, they have bracelets that match their case metals. The bezels of each model are paved with 32 full-cut diamonds with a total weight of 0,50 carat. Eleven single-cut diamonds with a combined weight of 0,12 carat mark the hours and there is a date window at 3 o'clock. The Omega Constellation Co-Axial was designed for the woman who cares as much about the mechanical movement inside the case as she does for its breathtaking beauty.

### PRESENCE

Throughout the year, Omega maintained an impressive media presence with boutique openings, product launches, high-profile sport timing and key events supported by creative advertising, dynamic web and social media activities and focused public relations in every market.

Some of Omega's 2011 highlights were:

#### Boutique openings

Omega opened boutiques in Buenos Aires, Venice, Osaka, Paris and eleven prime retail locations in the US as well as at other prestigious addresses around the world. At the end of 2011, the global network included some 250 boutiques, nearly a hundred of which are corporate stores.



#### Planet Ocean Global Launch

In 2011 Omega introduced a complete update of the Seamaster Planet Ocean collection. The launch took place on the Italian Isle of Capri. The watch was presented to media and guests by a mermaid who swam to the sea's surface holding the new Planet Ocean.

#### Omega and golf

Omega has long been active in its support of golf and in 2011 signed a long-term agreement with The PGA of America. Under the terms of the contract, the brand will be the official timekeeper at the tournaments organized by The PGA of America, including the Ryder Cup when it is contested in the United States. Omega continued its title sponsorships of the European Masters, the Dubai Ladies Masters and the Dubai Desert Classic. In November, Omega served as title sponsor of the Mission Hills World Cup.







### Solar Impulse

The Solar Impulse prototype made its first international flights in 2011. Construction started on the airplane that will fly around the world powered only by the energy from the sun. Omega is a Main Partner.

### Sports timing

Omega, regarded as the premiere international sports timekeeper, took its expertise to Shanghai in July for the FINA Swimming World Championships. It also provided timekeeping to the Diamond League's series of athletics events. Preparations are well underway for the London 2012 Olympic and Paralympic Games where Omega will serve as Official Timekeeper.

### Omega and Orbis International

Orbis International, an organization that delivers quality eye care to some of the remotest regions on earth, leads the fight against preventable blindness. Omega supports Orbis and its work; a documentary filmed when brand ambassador Daniel

Craig joined Orbis' Flying Eye Hospital team in Mongolia in 2011 will raise worldwide awareness of Orbis and its outstanding work.

### Yann Arthus-Bertrand and GoodPlanet

In May, Omega announced that it is producing a film, *Planet Ocean*, with ecologist/photographer Yann Arthus-Bertrand. The movie, to be screened at the Earth Summit in Rio in 2012, calls attention to the beauty of the oceans. Omega is also working with GoodPlanet, an organization founded by Arthus-Bertrand, to produce books and materials focused on how people can help preserve oceanic health.

### Communication

Global advertising campaigns, an impressive roster of ambassadors, a lifestyle magazine and a strong web presence continued to figure prominently in Omega's communications strategy. The brand also produced short films about its products and innovative technologies. ▲







### Advertising

In 2011, Omega created print and online campaigns featuring brand ambassador George Clooney. The Ladymatic campaign with Nicole Kidman continued to figure prominently in the year's advertising strategy. To support Omega's partnership with The PGA of America, print and online campaigns were developed with satellite images of the golf courses where the brand's key tournaments take place and the tag line: "Growing the game around the world." Print, online and television advertising for Planet Ocean featured creative animations from space to the oceans' depths and a remarkably well trained school of fish.

### Lifetime magazine

*Lifetime*, Omega's twice-yearly lifestyle magazine, was available in English, Japanese, traditional and simplified Chinese, German, French and Italian in 2011 along with an interactive iPad edition.

### Omega online

omegawatches.com, the official website, enjoyed a dramatic increase in unique visitors and according to independent sources, Omega has the two products that are "most searched for" by name. Reflecting the global interest in the brand, there are versions in English, French, German, Italian, Spanish, Russian, Japanese, Korean, simplified and traditional Chinese and Portuguese.

### OMEGA FINE JEWELLERY

Under the direction of Nayla Hayek, Omega Fine Jewellery redefined and structured its collection, fine-tuning its strategy in 2011. The collection was streamlined: attractive contemporary key pieces produced with attention to detail and potential for further development were launched and welcomed by the markets. Supported by a new collection of accessories such as cufflinks, new versions of the popular sailor bracelets and the introduction of the innovative ceramic pieces secured the collection's role in Omega's lifestyle concept. The Fine Jewellery collection benefitted from the Ladymatic campaign that confirmed the brand's luxurious feminine appeal, and enjoyed a constant rate of growth. In support of the Fine Jewellery collection, a new catalogue, designed to follow up on the message of luxury and frisky femininity, was presented at Baselworld 2011.

### Fine Leather and Fragrance

Omega's Fine Leather Collection was highlighted by the release of the Symbol products whose pattern is made up of the brand's iconic  $\Omega$  symbol engraved in the leather. The newest addition – an iPad 2 sleeve – bridges old-world craftsmanship and cutting edge technology. It is hand made from fine black or brown Italian calf leather. Omega has offered the Fine Leather Collection at its boutiques since 2007; the new products exhibit world-class standards of craftsmanship, design and materials. The flagship boutiques also feature Aqua Terra Eau de Toilette pour Homme, Omega's first fragrance. ■







# BREGUET TECHNOLOGY AND INNOVATION IN THE SPOTLIGHT

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

## TRENDS

2011 once again brought extremely strong growth for Breguet.

In order to keep pace with ever growing market demand, production capacity was increased, particularly through the hiring of 130 new staff members. In 2001, and again in 2005, major extension work had been conducted on the Manufacture Breguet on its site in the village of L'Orient in the Vallée de Joux. 2011 marked the first stage of a new project aimed at erecting an additional 8000-square-meter production building, which is scheduled for completion in 2013. A heritage center will also be inaugurated on the L'Abbaye site and will present the fascinating history of the House of Breguet in a variety of ways including archive documents and historical watches.

Moreover, 2011 witnessed the integration of the Favre et Perret watch case manufacturer within Breguet, giving rise to the Montres Breguet, Manufacture de boîtes unit which will enhance the verticalization of the brand's entire range of production activities.

Under the leadership of Marc A. Hayek, Breguet continued to invest in research and development. This determined policy

enabled it to present a number of technical and innovative products such as the Réveil Musical and the Type XXII – the first series-produced mechanical chronograph to feature an escapement operating at a frequency of 10 Hz. These two models stem from cutting-edge research on the use of new materials bringing authentic added value to the watch industry. Liquidmetal® was used for the membrane of the Réveil Musical, a component that transmits the vibrations produced by the combs on the pin barrel to the cavity between the membrane and the case and transforms them into optimal sound quality. This watch incorporates a second technological revolution in the form of a magnetic strike governor or regulator which dissipates the energy between the sounds without any friction and guarantees uniform speed without contact, wear or noise. The use of magnetism to optimize the pivoting of the balance represents a major innovation that made its mark on the development work undertaken in 2011. Two patents had already been filed in 2010 and this magnetic pivoting system will be incorporated in a new model due to be unveiled at Baselworld 2012. Finally, the Manufacture is continuing its breakthrough work in the field of silicon and plans to equip its entire production range with this technology by the end of 2012.

In 2011, Breguet also pursued its policy of opening boutiques around the world, including in Macau, in Beijing and in Ningbo, China as well as in two North American cities, Miami and Las Vegas – along with the extension of its Vienna boutique which recently doubled its floor space. Moreover, a new store inaugurated in early September in Gstaad features an evolution in the interior design that includes a change from blue to a guilloché silver-toned color for the boutique's glass walls. ▲





## CREATION

### Classique Hora Mundi 5717

The exceptional aesthetic appeal and functionality of this watch were met with great approval at its launch during Basel-world 2011. This creation, which has already won two awards, was crafted from the most precious materials, namely 18-carat red gold and 950 platinum. Its hand-guilloch  and lacquered dial is interpreted in three versions, each depicting one part of the world: the American continent, the European continent, and finally, Asia. This model is thus available in a total of six references. It took the Breguet teams three full years to design, develop and fine-tune this horological complication, which involved equipping a mechanical watch with an instant-jump time-zone display for the very first time. This function enables travelers to display the time easily in two preselected time zones by switching instantly from one to another at the press of a dedicated pusher. Changing the time zone affects not only the time, but also the date which is synchronized by means of a "tracking" calendar system, as well as the day/night indication.

### Classique 7787 Moon Phases

With its slender and elegant Arabic numerals, a chapter ring composed of tiny stars and stylized *fleurs-de-lys*, this watch features a design paying tribute to the timepieces created by brand founder Abraham-Louis Breguet. Available in two sizes measuring 39 and 36 millimeters in diameter, and featuring a *hand-guilloch * or *grand feu* enameled dial, this model displays the hours, minutes and center seconds. It also features two complications: a moon-phase display at 12 o'clock, and a power-reserve indication at 3 o'clock.







### Tradition 7057

This timepiece comes in three new versions: with an 18-carat red gold case and a caliber featuring a red gold-plated finish, or with an 18-carat white or red gold case housing a movement with a matt grey NAC finish. The surface treatment of the latter is achieved by depositing a charcoal-grey alloy of metals from the platinum family through electroplating.

### Reine de Naples 8918 in red gold

Its soft oval shape, its crown at 4 o'clock and its distinctive strap lug make this an authentically iconic watch that is recognized and sought after worldwide. Available in a number of versions with or without complications, it now appears in a red gold variation displaying the hours and minutes. This creation is driven by a mechanical self-winding movement. Its bezel and flange are set with 117 full-cut diamonds. Its dial, made of natural mother-of-pearl and 18-carat silvered gold, hand-engraved on a rose engine, features a magnificent pear-cut diamond at 6 o'clock.



## PRESENCE

2011 saw Breguet reinforce its international presence, notably through prestigious partnerships on most continents.

Breguet associated with the Getty Museum in Los Angeles for the exhibition entitled *Paris: Life and Luxury*, which took place from April 26th to August 7th 2011. Inspired by the institution's famous French decorative arts collection, this exhibition presented French daily life in the 18th century, the period when Abraham-Louis Breguet began his watchmaking career in Paris. The brand did not merely underwrite the operation on behalf of the museum, as it also agreed to loan four pocket-watches from its historical collection until October 2011.

As the Louvre had done in 2009, the Swiss National Museum devoted a retrospective in 2011 to the art and life of Abraham-Louis Breguet. A Swiss citizen who settled in Paris, the man widely referred to as "the greatest horologist of all time" extended his sphere of influence right across Europe at the turn of the 19th century. This prestigious exhibition made up of around 175 exceptional pieces was presented from June 10th to September 19th 2011 at the Château de Prangins, and from October 6th 2011 to January 8th 2012 at the Landesmuseum in Zurich.

Breguet pursued its commitment to European culture and arts by supporting the Béjart Ballet Lausanne as main partner of its Asian tour that took place from October 10th to 22nd 2011 in South Korea and China. Beauty, creativity, and a quest for excellence are some of the key values shared by the prestigious watch brand and the world-famous ballet company. On each of these occasions, certain VIP customers and carefully selected media representatives enjoyed the privilege of a backstage



visit to observe dancers' preparations, as well as a dinner in the various theatres. A world-scale alliance also debuted in 2011, when Breguet and CNN partnered in staging a theme week dedicated to Leonardo da Vinci which revealed the artist's last masterpiece to the world. Entitled *Salvator Mundi*, this painting that was rediscovered in July 2011 was exhibited at London's National Gallery from November 9th 2011 to February 2012. This exceptional partnership between the Manufacture in L'Orient and the Vallée de Joux and the famous cable news channel highlighted the most significant artistic discovery of the past two centuries, both on the cable network and on the Internet. This theme week dedicated to Leonardo da Vinci stems from a model in the Breguet collection symbolizing the link

between the watch manufacturer and the prodigious Italian artist: the Tradition Tourbillon 7047PT model, incorporating a fusée and chain mechanism serving to transmit the energy to the balance in a constant mode – a concept invented by Leonardo da Vinci in around 1490. ■



# BREGUET JEWELRY THE ART OF EXCLUSIVITY

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

Heightened presence at events around the world, greater visibility through ever growing editorial coverage, and new designs related to those of the watchmaking products served to enhance the reputation and consolidate the ongoing ramp-up of Breguet jewelry and high jewelry.

### High Jewelry Petite Fleur watch

Like the Crazy Flower watch presented in 2010, the Haute Joaillerie Petite Fleur creation is distinguished by the technical feat of mobile gem-setting. Individually set in two rows by means of an ingenious system of non-visible pivots arranged around the case, the 43 baguette diamonds come to life in step with wrist movements.

### Lune pendant and grand feu enamel cufflinks

These 18-carat red gold cufflinks feature a case adorned with a fluted pattern similar to that on the case middle of the Classique Phases de lune watch presented in 2011, and featuring an authentic 14-millimeter-diameter dial entirely hand-crafted in *grand feu* enameling. They echo certain details of the watch that inspired them, such as a numeral, the moon phase and the Breguet secret signature. The pendant depicts a red gold moon with two faces: a diamond-paved "night" side and a "day" side pierced by three stars and revealing a hand-engraved Breguet signature.



### Marine High Jewelry cufflinks

Breguet drew inspiration from the High Jewelry version of the Marine chronograph in creating this pair of cufflinks crafted in 18-carat white gold. Their upper face is entirely set with baguette-cut stones, with diamonds and sapphires arranged like the rays of the sun around a brilliant-cut diamond to form a motif reminiscent of a watch dial. ■





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



# BLANCPAIN

## AN EXCITEMENT-PACKED YEAR

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

### TRENDS

2011 proved to be the best year ever achieved by Blancpain. This success was due to:

- the merger between Blancpain and Frédéric Piguet which served to increase the brand's production means;
- the impact of the interest shown in Blancpain by Asian customers who travel and make purchases worldwide;
- the importance of the Grande Complication models offered in the collections, thereby enabling Blancpain to position itself as a major player in the field of Haute Horlogerie;
- the ongoing reinterpretation of the Villeret collection which represents Blancpain's brand image;
- the worldwide consolidation of the Blancpain boutique network, reinforcing the brand's international presence and serving to present and effectively showcase its entire range of collections.

### CREATION

In terms of new products and creations, the Manufacture from Le Brassus once again presented a number of calibers and new models at Baselworld. The collection was enriched with eight new movements which, along with the 27 new launches for 2011, reflect Blancpain's passion for innovation, expertise and horological tradition.

#### The movement line-up

**Caliber 235:** automatic winding, carousel volant une minute (flying one-minute karussell), minute repeater, cathedral gong, Glucydur balance with gold adjustment screws, 444 parts.

**Caliber 22T:** manual winding, carousel volant une minute (flying one-minute karussell), upper plate decoration stemming from nanotechnologies, Glucydur balance with gold adjustment screws.

**Caliber 4225G:** automatic winding, tourbillon, power-reserve indication on the oscillating weight, 7-day power reserve, Glucydur balance with gold adjustment screws, 414 parts.

**Caliber 5235DF:** automatic winding, half-hour time-zone indication, 8-day power reserve, 3 barrels, titanium balance with gold adjustment screws.

**Caliber 66CM8:** automatic winding, single-pusher chronograph, 40-hour power reserve, secure calendar and moon-phase mechanism, 450 parts.

**Caliber 6938:** automatic winding, 8-day power reserve, 3 barrels, titanium balance with gold adjustment screws.

**Caliber 5254DF:** automatic winding, half-hour time-zone indication, 72-hour power reserve

**Caliber 6054F:** automatic winding, time zone, 72-hour power reserve. ▲



### Le Brassus Collection

In 2011, the Le Brassus collection welcomed an automatic model. The Caroussel Répétition Minutes featuring a cathedral gong and a *grand feu* enamel dial is now available with an automatic movement. Representing the quintessence of the watchmaking art and the excellence of the Manufacture Blancpain in the field of complications, this model expresses the brand's expertise and demonstrates its respect for watchmaking traditions.

### Villeret Collection

The reinterpretation of the Villeret collection that began in 2010 continued in 2011. These watches are timeless icons with a worldwide appeal thanks to their finesse and their classic lines, as well as the various complications they offer. Eight new models enriched the collection in 2011. The running equation of time is a rare and precious complication driving an impressive ballet of hands and displaying the difference between solar time and local time by means of a solar minute indicator. Sensitive to customers' demand, Blancpain developed a half-hour time-zone model endowed with an eight-day power reserve thanks to three series-coupled barrels. This Villeret model thus meets the needs of travelers on their way to Delhi, Caracas and Rangoon, cities with half-hour time-zone differences. Adjusting the reference time modifies the time in the other time zone and the model also features secure date adjustment.

### L-evolution Collection

The latest model in the L-evolution Collection is equipped not only with a tourbillon and a large date display, but also with a power-reserve indication on the dial directly integrated onto the oscillating weight it is connected to. Patented in 2007, this new complication required over two years of work by the research and development teams at the Manufacture in Le Brassus. Firmly on the cutting edge of this new technology, in 2011 Blancpain offered an original tantalum version of its Carrousel Saphir Volant Une Minute featuring a nanotechnology-inspired upper plate décor in the form of tiny laser-engraved "JB" initials creating a subtly graded effect.

### Fifty Fathoms Collection

Blancpain paid tribute to its legendary Fifty Fathoms with a second Tribute model. Issued in a 500-piece limited edition, the Tribute to Fifty Fathoms Aqua Lung expresses a subtle blend of vintage spirit and modernity. The revolutionary X Fathoms concept watch presented in Dubai in October 2011 boasts an abundance of innovations, all world firsts: depth measurement to 90 meters and maximum depth reached memory, separate display for the 0–15 meter zone with exceptional precision to within about 30 centimeters and a five-minute retrograde counter for decompression stops. Its movement is based on the proprietary Caliber 1315, which has already proven its worth within the Fifty Fathoms collection. This automatic winding mechanism is equipped with three barrels ensuring a five-day power reserve and a silicon balance-spring to withstand magnetic disturbance. Its generous 55.65-millimeter-diameter case in satin-brushed titanium is water-resistant to 30 bar (300 meters). It is equipped with a helium escape valve for saturation dives, as well as the unidirectional bezel that has characterized the collection for almost 60 years.

### Women Collection

In 2011, Blancpain was careful not to neglect women and presented a complete calendar with moon-phase display, adjustable thanks to the patented under-lug corrector system. Interpreted through three models featuring a mother-of-pearl dial and a bezel both set with diamonds, this creation associates feminine design with traditional horological expertise. The rose gold model won third prize at the Watches Days held in Geneva from November 10th to 13th 2011. ▲







## PRESENCE

2011 was packed with excitement and special events for the Manufacture from Le Brassus. In addition to strengthening its presence in the automobile world, Blancpain organized a world-premiere presentation of its revolutionary X Fathoms model at the Dubai Aquarium & Underwater Zoo in the Dubai Mall.

### Automobile world

Blancpain and Marc A. Hayek's commitment to motorsports was confirmed this year. As of the 2011 season, Blancpain became title sponsor and official timekeeper of the Blancpain Endurance Series. This new motorsports series is organized around the legendary Total 24 Hours of Spa, along with four other three-hour races held on the most prestigious European tracks. This championship embodies a return to the very essence of GT races represented by endurance races. Manufacturers and the public alike adopted the concept right from the very first race.

This year, Blancpain also associated as official partner with the legendary German ADAC GT Masters championship. At the wheel of his Lamborghini Gallardo LP600+ GT3, prepared by the Reiter Engineering team, Marc A. Hayek won the championship in the amateur category. On the legendary Hockenheim track, the German public saw Blancpain's President claim the highest position on the podium after the season's last race.

Blancpain also signed an agreement with Alain Menu for the 2011 WTCC season, and the Swiss driver now wears the Blancpain colors on his helmet and his racing suit. In 2011, Blancpain once again officiated as timekeeper of the FIA GT1 world championship and pursued its partnership with Lamborghini in the third season of the Lamborghini Blancpain Super Trofeo. Through these numerous commitments, Blancpain is reinforcing its presence in the automobile field and consolidating the natural ties between Haute Horlogerie and high-end motorsports.



### Aquatic world

A major highlight of 2011 for Blancpain was the presentation of its X Fathoms watch in Dubai on October 25th, at a spectacular event held in the waters of the world's largest aquarium, the Dubai Aquarium & Underwater Zoo at the Dubai Mall.

Within this surreal and majestic setting, Blancpain offered international media a first showing of its latest divers' watch, in a presentation attended by a number of personalities including the Chairman of Emaar Properties, His Excellency Mohamed Alabbar, as well as multiple freediving record holder Gianluca Genoni.

The X Fathoms offers a new take on the characteristics of its emblematic forerunner, the Fifty Fathoms created in 1953, and associates them with a mechanical depth gauge to give rise to the most efficient mechanical divers' watch ever. In the turquoise waters of the Dubai Aquarium & Underwater Zoo, Gianluca Genoni took the watch down to the bottom of the tank where Marc A. Hayek awaited him, seated at a watchmaker's bench and ready to unveil it to the gathering of stunned guests. The enthusiasm generated among watch enthusiasts, journalists, bloggers and internet users in general made this event a great

success. The main watch blogs, forums and websites all carried features on the launch of the X Fathoms, and press coverage continued throughout the year 2011.

### "Un des Meilleurs Ouvriers de France" at Blancpain

Marie-Laure Tabouriech, a master-engraver working at the Manufacture in Le Brassus, received the "Un des Meilleurs Ouvriers de France" Award 2011 in the "modeled engraving, heraldic" category. This prestigious award allows her to wear the coveted blue-white-red collar on her working overall. Various animals typical of the Joux Valley – lynx, heron, capercaillie, chamois, fox, oriole, squirrel and weasel – spring to life on the movement diameter of almost 15 *lignes* (about 34 millimeters) with which she took part in the "best artisans of France" competition. The power of her artistry enabled her to create a wild backdrop of cliffs and plants staging a surprisingly realistic scene revealed as soon as the timepiece is opened. The choice of caliber was no coincidence, since its larger and more readable bridges allowed her to give free rein to her imagination and to her concern for precision.

Blancpain is proud to have "Un des Meilleurs Ouvriers de France" within its ranks and to contribute to safeguarding a hand craftsmanship skill that is indispensable to the watchmaking profession. The Manufacture in Le Brassus is indeed one of the rare companies to employ men and women capable of creating such masterpieces that are part of the quintessence of Haute Horlogerie. ■



*Glashütte*  
ORIGINAL



# GLASHÜTTE ORIGINAL GERMAN WATCHMAKING EXCELLENCE PERPETUATED

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

## TRENDS

In 2011 Glashütte Original experienced the strongest year in its history. This excellent performance was achieved thanks to fantastic growth in the brand's four most important markets: Germany, China, Hong Kong and the United States. At the same time, Glashütte Original cultivated a growing and high-profile presence in other key international locations including Paris (with a corporate boutique and corner), Vienna, Milan, Moscow, Tokyo and Macau, where two boutiques were completely redesigned in the brand's modern retail concept.

In response to a marked increase in the demand for Glashütte Original's fine mechanical watches, Swatch Group is investing in a significant enhancement of the German watchmaker's production capacity. Construction has started on a new building in the town of Glashütte that will house much-needed additional production facilities as well as a new competence center for customer service as of September 2012. To remain faithful to its "Handmade in Germany" claim, a dial manufacturer in Pforzheim is also being completely integrated into Glashütte Original; it will bring the company's percentage of in-house production content to levels almost without parallel in the prestige segment.

## CREATION

### Sixties Square Tourbillon

The flying tourbillon was developed in 1920 by Alfred Helwig, master watchmaker and head of the Watchmaking School in Glashütte. The version presented this year houses the precious mechanism in a modern, cushion-shaped design.

### Seventies Panorama Date

This watch was inspired by a successful model with an integrated bracelet made by Glashütte in the seventies. With its streamlined, sleek shape and soft-cornered style, the Seventies Panorama Date captures the look of a world-changing decade and was the brand's main theme for the year.

### Senator Perpetual Calendar

Encased in red gold and featuring a matt black dial with white Roman numerals along with its lavishly decorated perpetual calendar movement, the subtle elegance and class of this timepiece exemplifies the excellence in high-end German watchmaking that is characteristic of the brand.

### PanoMatic Luna

Inspired by the symbolic use of the moon to represent women, Glashütte Original created the PanoMatic Luna. Available in two versions, the off-center hour/minute and subsidiary seconds dials are set against a shining white mother-of-pearl or mystic black dial.

## PRESENCE

### Berlinale

For its first edition as partner of the Berlin International Film Festival, Glashütte Original set up shop at historically significant Potsdamer Platz 1. Perched on the 24th floor of one of Berlin's tallest skyscrapers, the Glashütte Original Lounge welcomed an impressive list of VIPs for the duration of the festival. Renowned German director Wim Wenders hosted the opening party for the launch of his new 3D movie *Pina* – paying homage to the great German dancer and choreographer Pina Bausch – which has since become an internationally acclaimed success. Screen legends Isabella Rossellini and Liv Ullmann visited the brand's lounge.

### Seventies Panorama Date Tour

New York, Hong Kong, Shanghai, Hamburg, and Munich – all these cosmopolitan cities hosted presentations of the new Seventies Panorama Date to the media and public. The locations were decorated in the style of an airport VIP Lounge from the seventies, an intriguing look that invited people to step back in time and experience the birth of a new watch design icon.

### Alfred Helwig Exhibition

2011 was marked by the celebration of the 125th birthday of Alfred Helwig at the German Watch Museum – Nicolas G. Hayek in Glashütte. A pivotal figure in the history of watchmaking in Glashütte, in 1920 the long-term director of the Watchmaking School developed the flying tourbillon mechanism. As the rightful heir to this wonderful tradition – and to perpetuate it – Glashütte Original today operates its own watchmaking school in the town. ■



J\*D  
JAQUET DROZ





# JAQUET DROZ

## TRIBUTE TO JAQUET DROZ'S CRAFTSMEN

[www.jaquet-droz.com](http://www.jaquet-droz.com)

### TRENDS

In the 18th century, the Jaquet Droz were the forerunners in the realm of decoration for top luxury watchmaking. Their works contributed to providing a living for a whole generation of craftsmen. The enamel of the case decorated with *paillons* (spangles) or painting on enamel effectively contributed to the success and renown of Jaquet Droz creations because all manner of masterpieces – from pocket watches, urns, snuff-boxes, to bird cages or automata – were all decorated. Today, these crafts have become part of Jaquet Droz and the fruit of their artisans' labors can be found on exceptional pieces of the brand's collection, thus perpetuating the tradition and paying tribute to their extremely meticulous work.

In 2011, Jaquet Droz and its President Marc A. Hayek revealed the first step of a series of events that will take place up to 2012 as part of the Automates & Merveilles project, emphasizing the brand's special ties with the art of automata and miniaturization.

During the summer of 2011, Jaquet Droz celebrated the first anniversary of its *Atelier de Haute Horlogerie*. Providing the means to respond to the strong demand from its markets and clients, this new 2500-square-meter location has given the brand a new lease on life and, like the watches produced there, is designed to offer a concentrated blend of watchmaking and craftsmanship expertise infused with a distinctive spirit.

### CREATION

#### Grande Seconde Quantième

With its entirely original appearance and a design of pioneering purity, the Grande Seconde has been celebrating the magic of time since the 18th century, and in 2011 introduced a date display housed within a steel case. True to its avant-gardist spirit, Jaquet Droz used an exclusive procedure allowing it to create two new models of the watch with all-black dials. This watchmaking first consists of cutting all the dial elements from the block, which is pre-soaked in a chemical bath in order to obtain a perfect black layer. This operation requires extreme care and highlights the hour-markers – optionally satin-brushed – thereby giving rise to a new play on light and textures. ▲





### Tourbillon

In 2011, Jaquet Droz coupled one of its most iconic models with one of its precision watchmaking complication masterpieces to give rise to two exclusive timepieces. In concrete terms, the Grande Seconde has a tourbillon placed in the heart of the second counter, offset at 12 o'clock. Initially available in red with a *grand feu* enamel dial, this creation has enabled Jaquet Droz to once again push the boundaries of the art of watchmaking to the limits by giving it a tourbillon carriage made of sapphire, an exceptional material also used for the figure eight-shaped inner bezel ring of the second version in white gold with a Côtes de Genève dial.

### Petite Heure Minute 35 mm

Stone, mother-of-pearl, enamel: Jaquet Droz celebrated its historic skill in a completely new format. With the aim of combining tradition and innovation, the brand presented three new timepieces featuring dainty 35 mm diameter cases that embody the know-how and excellence of each one of its craftsmen.

### PRESENCE

On November 18th 2011, Jaquet Droz and the Automates & Merveilles Association assembled journalists and clients at the brand's headquarters to reveal the exceptional Automates and Merveilles project. First presented at La Chaux-de-Fonds in 1774 and returning to its home-town after more than two centuries, the automaton known as "L'Ecrivain" (The Writer) was the highlight of this press conference. The Musée d'art et d'histoire in Neuchâtel, the Musée internationale d'horlogerie de la Chaux-de-Fonds and the Musée d'horlogerie at Le Locle – Château des Monts have partnered to host an exhibition on three important figures in 18th century watchmaking: Pierre Jaquet-Droz, his son, Henry-Louis, and their colleague, Jean-Frédéric Leschot. Taking visitors from the 18th to the 21st century, this international event, both artistic and technical, will take place from April 28th through September 10th 2012. The automaton "The Writer" was sent to China for the first time to commemorate an exceptional event in Beijing on December 8th 2011.

Jaquet Droz enjoys sharing one of its historical skills with lovers of the brand – namely, miniature painting. A privileged few thus had the opportunity of putting themselves in the painter's place and doing their own interpretation of the proposed design. During events organized in the United States, China, Russia and Switzerland, clients and journalists were immersed in an exclusive universe and had a glimpse of the complexities of the art of painting on a dial. In 2011, the brand consolidated its presence in its existing markets and continued developing its distribution, notably inaugurating two new Jaquet Droz boutiques in Hong Kong and Macao in the best locations, thereby strengthening its presence in Asia. ■





# TIFFANY & CO.

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

TIFFANY & CO.



## CREATION

At Baselworld 2011 Tiffany Watch Co. Ltd introduced the new Tiffany Gallery, a superbly styled new line of watches inspired by an Art Deco design. Contemporary and classic, its heritage is evident in the slender, stylized Arabic numerals and in the curved and streamlined elegance of the case and lugs.

The new Atlas Cocktail in black completes the brand's range of sparkling Cocktail models. Its black lacquered dial and full cut diamonds give the Atlas Cocktail the glow of glamour and sophistication. Studded with full-cut diamonds, the line's characteristic Roman numerals and concentric tracks form a dazzling chapter ring.

2011 saw the extension of the Atlas Dome line. A new 39-millimeter case framing a diamond-set bezel is available in 18-carat gold or stainless steel. The magnificence of the three-dimensional Roman numerals graces a wide range of dials.

A more masculine 42-millimeter model was also added to the Atlas Dome Collection, presented in stainless steel, red gold,

yellow gold and in a bicolor gold and stainless steel version. All models are fitted with automatic movements.

The new Atlas Gent Square Chronograph in 18-carat gold is a sporty, elegant and masculine watch presented in a 40-millimeter square case. It features one of the world's finest self-winding movements, the Frédéric Piguet calibre 1285. This superb column-wheel chronograph ensures the technological integrity and flawless performance of its chronograph functions.

## PRESENCE

Throughout the year, Tiffany Watch Co. Ltd organized events together with its retailers. By the end of 2011, the new Tiffany Gallery Collection had been introduced all over the world at various launch events. In China, the new Gallery Collection was presented in one of Beijing's most famous locations, the Chang'an Club. Other Tiffany Gallery launch events were held at different points of sale including the Tourbillon store in Moscow. ■



# LÉON HATOT

www.leonhatot.com



## THE ART DECO SPIRIT

Aside from being an unforgettable figure on the Parisian jewelry scene for more than four decades, Léon Hatot (1883–1953) also distinguished himself with his watchmaking inventions, which notably included an automatic winding mechanism christened “Rolls”. The name caused actress Joan Crawford to say that “the Rolls Watch is a fragment of eternity in a case”. Seizing the moment like nobody else, the master watchmaker and jeweler took part in creating women’s style in the Roaring Twenties for flappers in search of emancipation, and was rewarded with a Grand Prix during the International Exhibition of Industrial and Decorative Arts in 1925.

Firmly rooted in watchmaking history and part of Swatch Group for more than ten years, the brand that carries Léon Hatot’s name is the custodian of his heritage, a treasure embodied in several thousand original drawings which to this day provide inspiration.

Reflecting the Art Deco spirit that characterizes the brand, the current Fine Watchmaking and Jewelry pieces target

women in love with the exceptional. Jewelry called J’aime, J’aime toujours, Mae, Vertige, Le temps d’aimer and Léona constitute the Boutique Jewelry line, which also includes the Coquine, Chrono, Charleston watches and their Secrètes watch counterparts, and combine the elegance of yesteryear with contemporary chic. Technical complications, precious stones and noble materials are the assets inherent in these unique pieces in the Haute Joaillerie line, while the Créations d’Exception represent exclusive pieces or models in strictly limited editions of 7 or 77. In 2011, Léon Hatot creations continued to be offered to a select clientele in search of exclusivity. Distribution through the prestigious Tourbillon boutique network established at prime retail locations all over the world was pursued successfully during the past year. This highly selective presence emphasizes the prestigious nature of the brand and its exceptional products, thereby preserving Léon Hatot’s exceptional heritage. ■



**LONGINES®**





# LONGINES TRADITION, ELEGANCE, SPORT AND HERITAGE

www.longines.com

## TRENDS

Longines' market growth continued steadily in 2011. Numerous events and partnerships enabled the brand to consolidate and extend its product strategy based on four pillars: Horological Tradition, Elegance, Sport and Heritage.

Horological Tradition was respected with The Longines Master Collection Retrograde Moon Phases while the Sport pillar was enriched with the Ladies Diamond Conquest, a sport-spirited model whose diamonds add a touch of sophisticated elegance. The brand's Heritage pillar was characterized by The Longines Column-Wheel Chronograph Record, blending horological tradition and modern technology into a sporty design and by the re-edition of The Longines Twenty-Four Hours which, with its distinctive 24-hour dial, impressively combines historic navigation functions and classic aesthetic values.

In 2011, Longines also increased its commitment to equestrian sport in the endurance, show jumping and, particularly, the racing categories. These disciplines express the brand's key values, including strength, performance, technical expertise, precision and elegance.

## CREATION

### Horological Tradition: The Longines Master Collection Retrograde Moon Phases

This new timepiece introduces an original horological combination bringing together retrograde hands with a lunar calendar and day and night indications. Expressing Longines' technical and design heritage, this model includes a movement developed specially for the brand. Featuring selected retrograde functions, it has already become the flagship of The Longines Master Collection, conceived as a salute to Longines' horological tradition.

### Sport and Elegance: Ladies Diamond Conquest

Derived from The Longines Sport Collection, the Conquest line acquired a new sparkle with the addition of shimmering diamonds. A first model dazzles with a bezel paved with 120 diamonds while a second combines the luster of precious stones with the strength of ceramic. Typical of the Conquest line, this blend of sportiness and refinement endows the Ladies Diamond Conquest models with dynamic

beauty. Longines' balance between performance and elegance is sure to fascinate women who enjoy sport but at the same time appreciate sophistication.

### Heritage and Sport: The Longines Column-Wheel Chronograph Record

In 2011, the brand met a new challenge in its quest for timepieces with authentic technical devices, with the creation of The Longines Column-Wheel Chronograph Record. The column-wheel chronograph is equipped with a central seconds hand fitted with a vernier scale. This model's sporty design complements its advanced time-measurement functionality.

### Heritage: The Longines Twenty-Four Hours

In the 1950s, Longines supplied Swissair, Switzerland's national airline, with wristwatches. Specially derived from the brand's aviators' watches, these timepieces featured an hour hand that rotated around the dial in 24 hours. This technical feature met the requirements of the flight crews who drafted the flight plans and calculated their planes' in-flight positions. The re-edition of The Longines Twenty-Four Hours salutes both the watch's historic role and its enduring aesthetic appeal. ▲





## PRESENCE

### Boutiques

In 2011 Longines increased its international presence with new boutiques in Australia, China, India, Hong Kong, Thailand, Taiwan, Singapore, Lebanon and the United Arab Emirates.

### In Shanghai, Kate Winslet unveils The Longines Saint-Imier Collection

With its Saint-Imier Collection, Longines launched a series of exceptional timepieces paying tribute to Saint-Imier, the town where the brand was founded and continues to flourish. Inspired by this watchmaking heritage, the collection's timepieces, all of them fitted with mechanical movements, travelled from Saint-Imier to Shanghai where they were unveiled for the first time. Actress Kate Winslet, Longines Ambassador of Elegance, attended the premiere and inaugurated the exhibition "Longines in Saint-Imier: a multi-sensory journey into watchmaking tradition."

### Equestrian sports

By 1880 Longines was already turning out a chronograph engraved with a jockey and his horse while its involvement with equestrian timekeeping dates from 1926. Anchored by the company's numerous timekeeping and official partnerships, the brand's involvement with equestrian activities today extends to show jumping, endurance and racing.

Longines is presently involved in the world's best-known horse-racing events, including the Prix de Diane Longines, the Qatar Prix de l'Arc de Triomphe, the Grand Prix Longines Lydia Tesio, the Royal Ascot Week races, the Melbourne Cup Carnival, the Dubai World Cup, the Longines Singapore Gold Cup, the Longines Grosser Preis von Baden, the Longines Handicap de las Américas, the Longines Gran Premio and the storied Kentucky Derby.

In show jumping, Longines is the partner and official timekeeper of most of the CSIO and CHIO events of the Nations Cup as well as of the CSIO Barcelona and the Dubai Show Jumping Championships. Furthermore, at the close of the 2011 riding season, the brand presented the Longines Press Award for Elegance to American Beezie Madden and to the Canadian rider Eric Lamaze, maintaining a tradition inaugurated in the year 2000. Longines also partners the HH Sheikh Mohammed bin Rashid al-Maktoum Endurance Cup in Dubai.





### Tennis

Official timekeeper of the Roland Garros French Open, Longines has invested in a talent search for future champions called the Longines Future Tennis Aces tournament, staged at the Grand Slam event in Paris. In 2011, this contest featured 16 young talents from all over the world, with Switzerland's Marko Osmakcic beating Artem Dubrivny of Russia in the finals. The young finalists were later invited to play against tennis legends Andre Agassi and Jim Courier during an exceptional doubles exhibition match. The brand also introduced the Longines Rising Tennis Stars program designed to promote the career of younger tennis players and reaffirmed its support for the most disadvantaged by sponsoring the charities set up by Andre Agassi and Stefanie Graf, both Longines Ambassadors of Elegance. For his part, Jim Courier received the Longines Prize for Elegance for his work on behalf of underprivileged children. In 2011, Longines was also partner and official timekeeper of two noteworthy tournaments, the Rakuten Japan Open in Tokyo and the Kremlin Cup in Moscow.

### Alpine skiing

In its capacity as official timekeeper of the Alpine Skiing World Cup and the FIS's Alpine World Ski Championships, Longines once again brought its timekeeping expertise to Alpine skiing competitions as it consolidated its presence on the world's ski slopes as part of a long-term commitment. What's more, Longines is making its mark on the slopes with its Ambassador of Elegance, the Norwegian skier Aksel Lund Svindal.

### Gymnastics

Longines continued to act as the official timekeeper at all international artistic and rhythmic gymnastics competitions. In association with the International Gymnastics Federation, the brand awarded the Longines Prize for Elegance at the 2011 World Championships staged in Montpellier and Tokyo. This prize is awarded to the athlete who demonstrated the most remarkable elegance during the individual all-around competition. The Prize for Elegance in rhythmic gymnastics was awarded to Delphine Ledoux of France while Longines Ambassador of Elegance Evgenia Kanaeva displayed dazzling form by sweeping the contest's six gold medals. The artistic gymnastics Longines Prizes for Elegance went to Ana Porgras of Romania and Kohei Uchimura of Japan. ■





**RADO**  
SWITZERLAND



# RADO

## UNLIMITED INNOVATION

www.rado.com

### TRENDS

#### A quarter century of ceramic innovation

Rado had the opportunity to celebrate the 25th anniversary of the Rado Integral collection in 2011, famous for having introduced high-tech ceramics into watch construction. The brand was ahead of the pack for a long time in recognizing a material that has since become widespread. A quarter of a century later, the brand innovates unceasingly, offering revolutionary ultra-thin ceramics, as well as a new material that is a ceramic and metal composite called Ceramos®.

#### Signature design

Rado watches not only embody the brand's innovations in terms of material sciences, but also translate its research in the field of design. The result is products of sophisticated purity, immediately identifiable thanks to their flowing lines and integrated shapes. Picking up the construction principles that are the ultimate brand signature, the watches created by Rado in 2011 targeted a young clientele, eager for comfort and technology, and heralded other creations with highly avant-garde designs. The brand's daring was rewarded in July with the prestigious Red Dot Design Award for the Rado Ceramic Digital Automatic.

#### Reinterpreted collections

White, which is today's trend in ceramics, had already been introduced by Rado in 1991. Two decades later, the brand clad a number of the watches in its flagship collections in white, including the Rado Integral, Rado Ceramica, Rado Centrix and Rado D-Star. Several immaculate, elegant and resolutely contemporary models resulted. The brand also decided to increase the number of automatic pieces in all its collections, thus reinforcing its positioning in this product category.

#### Success with innovations and continuity

The results achieved in 2011 confirm the merits of the strategy adopted by Rado. The brand's market share grew, thanks in large part to the launch of the Rado True Thinline and Rado D-Star which exposed it to a new clientele. Innovations in the existing collections also resulted in strong sales across the markets, while the brand's "classics" continue to be much in demand.

#### Under Rado's banner

Opening new points of sale in China and the Middle East, the brand continued the development of its distribution network which, by the end of 2011, consisted of 67 Rado Stores. With their interior design featuring pure lines and absolute surfaces, the new boutiques continue to radiate a strongly graphic, serene aesthetic, in perfect harmony with the products for which they set the stage. ▲





## CREATION

In 2011, Rado was as active in the realm of design as in that of materials, the two areas in which the brand has become legendary.

### **Rado True Thinline, like a second skin**

With its round silhouette, the Rado True line constitutes an exception to the strongly graphic tradition associated with Rado. In 2011, the collection was much talked about – as the brand introduced a revolutionary model with the Rado True Thinline. This is the slimmest high-tech ceramic watch in the world – only five millimeters thick – and with a movement that measures just a single millimeter, similar to a credit card, the Rado True Thinline is the result of intense scientific research efforts focused on materials science applied to watch construction. This watch alone represents the provocative head start that the brand has always had in the use of this state-of-the-art material. Completely reworked, the various elements – case, strap with its curved ceramic links, domed sapphire crystal – blend into an ultra-light continuous line that weighs barely 35 grams and makes this watch a technological accomplishment dedicated to the service of design and exceptional comfort.

### **Rado D-Star Ceramos®, the radiance of a new material**

The hard-metal Rado DiaStar model revolutionized watchmaking in 1962 and became a legend as the toughest watch in existence, imposing the sapphire crystal as a watchmaking standard. Nearly half a century later, Rado D-Star has asserted itself as the reinterpretation of this design icon and embodies new technological advances. In fact, the Rado D-Star is now available in Ceramos®, an innovation in the form of a composite that combines titanium carbon ceramic and metal. This exceptional material offers the light weight and thermal comfort of the first, combined with the unparalleled radiance of the second. On the design front, this model – a worthy heir to the Rado DiaStar watch – owes its appeal to its dynamic lines and the contrast created by the faceted elliptical shape of its bezel framing the round dial.





## PRESENCE

### (R)evolution in Istanbul

The year's major event took place in February in Istanbul, where Rado presented its innovations within the walls of the Esma Sultan palace. More than 200 journalists and retailers from 31 countries were invited to these sumptuous surroundings for an artistic gala dinner that was a feast for the senses during which all participants were invited to experiment with Rado's philosophy and be entertained by an *Unlimited Spirit*. Artists explored and expressed this state of mind through live creative performances involving various disciplines – painting, music, fashion, dance and video – and translating the characteristics of a brand that is both visionary and innovative.

### Increased visibility

Rado has improved the quality of its presence in retailers' windows, and also invested in the media with a highly colored, dynamic campaign, as well as launching a new campaign with its ambassadors whose role was enhanced. Furthermore, the brand was also present with a media campaign focused on its white products, and a series of events entitled "White Lunch" was organized to echo these models and enjoyed a success as radiant as the theme that inspired them. Rado also developed its internet site, available in eight languages, and created an *Unlimited Spirit* section that explains its philosophy through various multimedia.

### Rado ambassadors

In 2011, Rado emphasized its presence through its international ambassadors. Actress and singer Rene Liu, producer and actress Renata Litvinova, actress and top model Lisa Ray, and actor and dancer Hrithik Roshan all put their fame at the service of the brand at different events. The launch of new products such as Rado D-Star in China and India, and the Rado True Thinline in Hong Kong, boutique inaugurations, sponsorships and other



events enjoyed the benefits of their shining presence. Rado was also privileged to have its image associated with actors Ji-Ho Oh and Julio Bracho, brand ambassadors in South Korea and Mexico respectively.

### Unlimited Spirit

Rado has devoted its pioneering energy to the service of the extraordinary capacities of human intelligence by becoming official timekeeper of the SportAccord World Mind Games which took place at the end of 2011 in Beijing. These mind games saw the elite of the world compete in various disciplines – chess, bridge, checkers, Go and Xianqi – also called Chinese chess – calling on strategic ability and mind training. Demonstrating all the strength of the human brain, these competitions call upon qualities that enable participants to push the boundaries and innovate unceasingly.

### Tomorrow's talents

Renewing its support of the young generation of creators, Rado renewed its Rado Star Prize concept that continued to develop in Europe and Asia, entering Hong Kong for the first time. In China, it has been such a success that the internet site associated with it has had millions of clicks. In Switzerland, it is focused on the art of photography and has assumed a new dimension, offering an exchange with China. Providing inspiration with their innovative approach to their art, the young talents awarded with a Rado Star Prize demonstrate their ability to rethink and push the limits of creation. Celebrating them means that Rado can strategically put its credo in the spotlight: be authentic, think without boundaries. ■



**UNION**  
GLASHÜTTE/SA.



# UNION GLASHÜTTE

## A TRADITION OF GERMAN WATCHMAKING

www.union-glashuette.com

### TRENDS

Union Glashütte experienced tremendous growth in its key German and Austrian markets, thanks to its genuine traditional products and the development of a high-quality distribution network. Further geographic market expansion has been put on hold, on account of a limited production capacity and the strong demand from the brand's three main current markets – Germany, Austria and Switzerland.

### CREATION

#### Noramis Chronograph

A chronograph of great subtlety was added to the Noramis collection. With great finesse, it brings a slightly sporty note to a sober timepiece, in keeping with this product line. The classical retro look of the watch is enhanced by the rounded sapphire crystal and dial surface. Tremendous attention to detail and a quality finish – both inside and outside – underline the classical elegance of this watch.

#### Noramis Power Reserve

Colored accents bring a refreshing contrast to the lightly retro look of this Noramis model, in a design where discreet numerals, triangular indices and fine hands are further emphasized by a rounded sapphire crystal with anti-reflective coating on both faces. A similarly rounded dial surface accentuates the light reflected from its sun-ray background finish. The timepiece's automatic movement, with its 42-hour operating power reserve, has been refined with exclusive Union Glashütte components.

#### Belisar Chronograph with Moon Phase

The new Belisar Chronograph with Moon Phase rounds out this product line to perfection, and sports the same screwed-on flanks on the sides of its case. Glances are irresistibly drawn to the lunar phase indicator, classically displayed by a series of yellow planets against a midnight blue background, in perfect harmony with the blue nickled hands of this gorgeous Belisar.



### PRESENCE

#### The Saxony Classic and Dresden press event with Jan Josef Liefers

The official start of the Saxony Classic Rally took place on August 18 in Dresden. Union Glashütte, official partner of this antique automobile rally, had completely decorated a bus in full Union Glashütte imagery and a sizeable crowd turned out to meet company representatives. At the start and finish of every race segment, a Union Glashütte watchmaker was present on board the bus to reinforce the traditional handcrafted image of the brand.

On the first day of the race, Union Glashütte also invited the press for the launch of the Noramis Chronograph – Sachsen Classic 2011 – Limited Edition. The special event was held with the renowned German actor Jan Josef Liefers in attendance. Born in Dresden, the actor was presented with the very first watch from the limited edition series and was also given a check for 5000 euros as a donation to the Björn Schulz Foundation, of which he is a patron. The donation, drawn from the sale of the 118 units in this special edition, will help to provide support for the Foundation's work with sick children.

#### Promotional events, features and special displays

The various promotional features and special displays used in many shop windows fostered greater visibility for the Union Glashütte brand name to its customer base as well as to the general public. ■







# TISSOT LEADER IN TACTILE WATCH TECHNOLOGY

www.tissot.ch

## TRENDS

2011 saw Tissot achieve double-digit growth in its 160 markets in the brand's sixteenth year of continual growth, further consolidating its leadership of the traditional Swiss watch sector in terms of volume. Strengthening its pole position was Tissot's unique tactile watch technology. New Tissot Touch Collection models demonstrated the tradition of bringing innovative functionality to the fingertips of wearers with the most diverse lifestyles and styling preferences. The technology's fascination even made its presence felt in the Tissot retail network and at Baselworld, providing visitors with an original form of "infotainment". A highlight was the introduction of the Tissot Racing-Touch.

With eleven dynamic touch-activated functions, this timepiece broke new ground in enabling wearers both to tell the time and maximize their use of it. And confirming the Tissot commitment to innovation from an external perspective was the jury of the 2011 International Timing Competition, which voted the Tissot Le Locle Chronometer as the winner in the "Classic – Enterprise" category. The Tissot spirit of pioneering innovation reaches all areas of its activity. It drove a major investment in automating the warehouse facilities at the company's headquarters. In July, the ultramodern building, resembling a giant cube from the outside, went into operation. An impressive 7500-cubic-meter area can deliver five to six million Tissot watches per year, twice the previous capacity.

## CREATION

New products in 2011 proved winners with lovers of a variety of sports disciplines. The Tissot Seastar 1000 is a divers' watch in a league of its own. These ultra-modern timepieces retain performance to a pressure of up to 30 bar (300 meters), integrating their own helium valves. An automatic chronograph version, containing the revolutionary C01.211 movement, became the automatic choice for sporty individuals unwilling to dilute their passion for sophisticated time-keeping.

Tissot launched another popular evolution in wristwear in the form of the Tissot Racing-Touch. New easy-to-use stopwatch capability enables this stunning tactile watch to act as a high-tech personal trainer. A touch of the crystal and a push-button activates a lap chronograph function capable of recording and saving up to 99 lap times using a special logbook feature. It also incorporates the facility to measure the split times of up to 99 racers in one event. Teamed with these novelties are trendy colors and robust materials to match action-packed lifestyles. ▲





One of the most striking examples of the brand's tradition for innovation is the new Tissot Tradition Collection. These watches incorporate Tissot's unrivalled ability to blend cutting-edge technical and material developments with nostalgic elegance. Pride of the family are models with a perpetual calendar facilitated by the exclusive G15.561 movement. This automatically adjusts the date, even through leap years, constituting a rare feature in a watch with an affordable price tag.

Throughout the year, Tissot clearly demonstrated that it was in touch with its feminine side, presenting a comprehensive range of new ladies' watches to cater to all tastes, looks and mindsets. The Tissot T-Race caught the eye of ladies all over the world with its exciting color schemes bringing glamour to design inspirations from the racetrack. These quartz chronographs made highly individual statements with colors as diverse as white, blue, orange, shocking pink, black and metallic shades. They quickly established themselves as "must-have" purchases and ideal gifts. The hugely successful Tissot Couturier Collection welcomed a new lady to its ranks in 2011. This literally took the gift-giving festive season by storm when it secured pride of place in a specially developed snow globe Smartphone application, as well as in

other festive promotional material around the real globe. Remaining close to the range's inspirational roots in fashion design, the stylish Tissot Couturier Lady models are intrinsically elegant and with a selection of attractive colors, provide wearers with the perfect complement for any wardrobe. Individualization potential comes from diamonds, crocodile pattern straps and a contemporary metal bracelet. With this launch, Tissot again showed that its understanding of women has a history. As the most fitting counterpart to the positive response of consumers, the brand was proud to obtain first prize in the "Classic – Enterprise" category of the 2011 International Timing Competition. This is the ultimate celebration of precision perfection and expertise in watchmaking and victory follows an arduous path. The winning Tissot Le Locle Chronometer successfully passed scientific and technical testing in the official certified laboratories of Besançon's Observatory and by COSC (Swiss Official Controlling of Timing) in Bienne. It was then exposed to particularly tough magnetic fields and shocks at the Haute Ecole Arc in Le Locle. President François Thiébaud accepted the award at the Watch Museum of Le Locle, close to the home of Tissot, in the city honoured by the winning watch.





## PRESENCE

In 2011 Tissot partnered over 500 sports events around the world. Its unrivalled time-keeping expertise again lived up to its official timekeeper challenges for MotoGP, FIBA, AFL, CBA and the World Championships of cycling, fencing and ice hockey. Joining the portfolio this year was a sports timing partnership with the FIM Superbike World Championship. The international road racing series for production-based motorcycles has a huge following, comprising around 500 million television viewers. The 13-race competition in 2011 gave Tissot an excellent platform to show its proven time-keeping expertise and precision in action. This new partnership serves to further strengthen Tissot's position as the watch brand of two-wheeled sports disciplines. A popular summer exhibition at the Cité du Temps in Geneva, "Ready-to-wear time", revealed all in the brand's long and eventful history of successfully making women's watches. Intricate nineteenth century pocket watches were perfectly at home in the company of the dynamic contemporary timepieces chosen by Tissot ambassadors Danica Patrick and Deepika Padukone. Items of ladies' undergarments from different eras supported the chronological format of the displays.

During the entire year, the energy and dynamism of the huge and growing Tissot retail network was in evidence. The brand's first ever Event Boutique opened its doors in the heart of Milan on the famous Piazza del Duomo. An open-plan layout even offers direct access for visitors from trendy neighboring boutiques. November also witnessed the timely opening of a mono-brand store in Lisbon's Colombo Shopping Mall, already a magnet for locals and tourists. Selling a mixture of national bestsellers and international favorites, it is a worthy successor to the innovative pop-up store it replaces. Retailers in all four corners of the world were inspired by Tissot's partnership with the iconic Jungfrau railway that serves Europe's highest altitude station at 3454 meters above sea level. They have implemented themed promotions and used a variety of material to ignite the Swiss spirit: model trains, nostalgic photos and Tissot Augmented Reality. The seed for today's global success was sown in Le Locle. Never losing sight of this fact, the company invested in a new automated warehouse facility at its headquarters. This futuristic system intelligently handles everything from unpacking and registering components and watches, to the dispatching of orders. Any item can be located instantly by the specialized

software and integrated quality control ensures the highest standards. Tissot repeatedly shows that it is a brand with an unforgettable heritage, yet at the cutting edge of watchmaking innovation and precisely up-to-the-minute styling. ■



# CK WATCH & JEWELRY

## THE ART OF SIMPLICITY

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

### TRENDS

In 2011, ck watch & jewelry continued its development all over the world and achieved excellent results across the markets. Generally, the brand is in high demand and has maintained strong growth. Gratifying in itself, this performance holds particular significance within the world of fashion.

In Europe, ck watch & jewelry has had a very positive year despite a complex economic climate characterized by negative currency exchange effects. The brand has played its cards right, developing and maintaining its market share, and sometimes increasing it, such as in Italy where jewelry sales have increased steadily.

ck watch & jewelry enjoyed substantial growth in Asia, achieving exceptional performance with distributors and consumers alike. The quality of its presence on the markets was once again emphasized and its distribution strengthened, mainly in the form of remarkable shop-in-shops in the most popular commercial areas.

ck watch & jewelry also enjoyed a favorable year in the other markets, such as in the Middle East where the brand has seen a significant increase in sales and strengthened its visibility.

### CREATION

In 2011, ck watch & jewelry continued to offer a collection of innovations at a rhythm in keeping with a fashion brand. Rising to the challenge of this creative commercial challenge, ck watch & jewelry designs products that combine simplicity and sensuality. Whether in watchmaking or jewelry, its creations have a functional design, inspired by the worlds of art or architecture. These enable ck watch & jewelry to emphasize its identity and reaffirm its position as a brand leader in the Swiss Made fashion watch sector. ▲







The sports sophistication of ck drive and the minimalist elegance of ck city emphasize the watchmaking essence of ck watch & jewelry. Epitomizing a universally recognized purity, ck glow, ck graceful and ck pensive watches translate the brand's evolution towards a more organic design.

The ck watch & jewelry enlace collection is worn like an embrace, while the ck stylish jewelry collection plays with volumes and surfaces in a bold statement – an assurance that the ck form bracelets reinterpret with a surprising super-positioning of rings.

2011 was also marked by the launch of the ck grey collection, a set of watches and jewelry featuring a highly contemporary grey-green PVD coating.





## PRESENCE

In 2011, Fabien Baron once again signed an ad campaign for ck watch & jewelry. The images born of this fourth collaboration with the famous French photographer stage Lara Stone, Calvin Klein's exclusive face, as well as Sean O'Pry, currently considered one of the world's top male models. Model Liu Wen for the Asian market completes this exceptional cast, photographed in an industrial context, which creates an anti-glamour contrast that accentuates the intrinsic qualities of the products.

An exclusive series of rendezvous with the highly demanding fashion press – suggested by ck watch & jewelry – took place in Barcelona, Buenos Aires and Hôï An in Vietnam, where the brand presented its innovations to around 100 journalists each time. The very positive reception received was picked up in the international press, which contributed to the year's excellent sales results.

A press luncheon attended by Lara Stone and Tom Murry, CEO of Calvin Klein Inc. in New York, was organized in the context of Baselworld 2011. The meeting in Basel was once again marked by the ck party organized in an industrial location, as a nod to the brand's new advertising campaign. The opening of a second boutique in Hong Kong was a key moment in 2011. The new brand showcase opened in July in New Town Plaza, one of the main shopping centers in Sha Tin in Hong Kong. Celebrated in October and attended by journalists and hand-picked personalities, the inauguration brought the number of ck watch & jewelry boutiques to four, including those in London and Taipei. All reflect the universe of the brand that is enjoying optimal international development. ■

**BALMAIN**  
swiss watches





# BALMAIN THE QUINTESSENCE OF STYLE

www.balmainwatches.com



## TRENDS

Balmain enjoyed a record year in 2011 thanks to brand development that was particularly strong in Europe, the Middle East and the Far East. This highly encouraging result was due to the continuity and the constantly evolving design of its collections, as well as to its ability to position itself as a must-have brand thanks to an extremely strategic distribution policy.

In the Benelux countries, Balmain increased its market share and asserted itself as an established brand in its price and product segment. It enjoyed strong growth in the promising Russian market, where the customer portfolio potential indicates excellent scope for progress.

Switzerland remained the top European market for Balmain, which reinforced its position by broadening its selective distribution and creating the seventh consecutive official Miss Switzerland watch. The current winner, Alina Buchschacher, became the new muse of the brand in September and now represents its values in Switzerland and around the world.

China and India added significantly to their year-on-year results and the constantly rising number of points of sale augurs well for a promising future. Balmain pursued its expansion in the Middle East and is consolidating its strong potential and appeal throughout the region.

## CREATION

### Madrigal Chrono Lady SL

The Madrigal Chrono Lady SL is a watch with a wealth of contrasts. Its brand-new twelve-sided bezel is set with 56 diamonds dancing around the curves of the case. The richly adorned dial features arabesque motifs, hour-markers, Roman numerals, counters and hands performing a precisely choreographed ballet, all offering a fine blend of historical references and more contemporary touches. The opulent lugs accentuate the finesse of the pushers. Also available in a version fitted with a ceramic bezel, this timepiece is clearly intended for dynamic women; for women of character; for original women; for all Balmain women.

### Excessive Chrono Lady

Since 2001, the sheer exuberance of the Excessive collection has appealed to passionate enthusiasts around the world. The latest creation, the Excessive Chrono Lady watch, is distinguished by its generosity. The drop-shaped case and dial display an unusual shape with an elegant contrast between the sensual contour of the case and the strength of the bracelet. It radiates a combination of harmonious curves and integrated lines such as the lugs that merge seamlessly into the bracelet, finely molded pushers, delicate applied hour-markers echoing the shape of the dial, as well as the brand's signature arabesque motif brimming with vitality. This is a watch synonymous with exuberance and pleasure.

### Balmain Eclipse

An eclipse is one of nature's most beautiful phenomena. This majestic ballet of the stars has been perfectly translated by Balmain, giving rise to a new star to be worn on the wrist. The instantly recognizable Eclipse Collection consists of unconventional timepieces that combine creativity and delicacy, originality and aesthetic appeal. Composed of two tangent circles, the Eclipse watch reveals a mysterious hollowed crescent shape, as if the dial, held by a second bezel, were passing in front of the case. The optical effect stemming from this asymmetrical design is all the more fascinating in that the delicately crafted crown appears to be

orbiting the watch like a satellite. A truly exceptional and resolutely original creation.

## PRESENCE

Balmain and the national Miss Belgium Committee celebrated their first association with the election of charming Justine De Jonckheere as the new Miss Belgium. The winner, who was crowned at the Knokke Heist Casino, will be Balmain's official ambassador in Belgium for the year of her reign.

Building on its success in the Indian market, Balmain paid tribute to women at an elegant event held in March in Delhi in the presence of several influential Indian women. On this occasion, various models from the brand's new collections were presented to local clients and press. Balmain celebrated the launch of its collection in China by inaugurating new boutiques, particularly in Beijing and Shanghai. These events further reinforced brand identity and enabled customers and the press to discover its contemporary new creations, as well as the famous dial adorned with arabesques that makes Balmain timepieces so truly unique. ■





# CERTINA READY FOR ACTION!

www.certina.com

## TRENDS

In 2011, Certina continued to grow internationally. This steady expansion was the result of attractive, targeted product lines supported by effective marketing and distribution strategies. Fortunately, growth occurred not only in Asia, but also in the strong, established markets in Europe, Eastern Europe and the Middle East. Certina's recent return to the UK has already shown glimpses of a promising future there, with very positive early sales results. Throughout the world, Certina continued to build on its strong position as an excellent mid-priced sport watch brand and gained additional market share.

## CREATION

### DS Multi-8 Unique, versatile and technologically brilliant

The new DS Multi-8 is equipped with an analog-digital ETA movement with eight highly useful timekeeping functions: a day-week calendar, two alarms, a timer and a chronograph using its digital display and double time zones with its analog hour and minute hands, thanks to a built-in time-swap function. With its handsome sport-classical style and discreet digital display, it carries a broad appeal, especially for business people, world travelers or active sports enthusiasts.

### DS Action Diver – Automatic Action, precision and confidence at sea

Boldly masculine and meeting all conditions for full ISO-6425 certification for dive watches, the DS Action Diver proudly wears the label "Diver's watch 200 m/ISO-6425" on its dial. In a tasteful wink at the brand's history, the case back is marked with a turtle symbol, used by Certina in the Fifties and Sixties to identify its most water-resistant watches. With its outstanding design, the DS Action Diver is built to the most stringent specifications, and guarantees precision and exceptional resistance for all demanding diving enthusiasts and adventurers.

### DS First Lady Ceramic Irresistibly sporty and chic

The sporty and decidedly trendy style of the DS First Lady Ceramic is such a success with women who wear Certina watches that it ranks as one of the brand's best-selling ladies' lines. The DS First Lady Ceramic is equipped with sensuous inlaid ceramic over the bezel and crown tip. This year, a special version with a steel and ceramic bracelet was launched and was an instant hit, quickly turning the watch into a bestseller.

## PRESENCE

### Shanghai Press and Formula 1 Roadshow event

The Certina promotional event organized at the Grand Gateway Plaza, one of Shanghai's biggest shopping centers, drew a huge crowd. For an entire week, visitors had the opportunity to participate in various activities, including a chance to try out the brand's very popular F1 simulator. The press event marking the official launch of the DS Podium GMT chronograph in the Chinese market was the high point of this promotional week, which included the participation of special guest star Jimmy Lin. He is not only an actor and singer but a racing car driver as well. The event had strong media impact and a mesmerizing effect on the large crowds of female fans present.

### Oslo Press Event with Ole Einar Bjørndalen, Certina Ambassador

Ole Einar Bjørndalen, a new Certina Ambassador as of this year, is the most decorated biathlete in sporting history. The friendly Norwegian is a living legend, with his numerous Olympic and World Cup victories, and multiple world championship titles. In late September, Certina organized a special event in Oslo with its new ambassador in attendance, to introduce the new



DS Podium GMT – Limited Edition – Ole Einar Bjørndalen to media and retailers. It was produced in a limited series of only 1974 units, to mark the champion's birth year. A national hero in his homeland Norway, Ole Einar Bjørndalen is also extremely popular in Russia, Poland and Germany.





**MIDO**

SWISS WATCHES SINCE 1918



# MIDO

## A MARK OF TRUE DESIGN

www.mido.ch

### TRENDS

In 2011, Mido enjoyed double-digit growth in all regions where it is present, repeating the success of previous reporting years. The brand particularly continued its significant development in Asia, a key region in which it won further market share. It also strengthened its position in the Middle East and in South America, as well as in Europe. Principally associated with mechanical movements, Mido watches continue to attract clients through their timeless design and their excellent value for money. Along with these qualities, COSC certification for the chronometer range is undeniably one of the brand's assets – a sign that it is more than ever committed to the precision of its timepieces. In constant evolution, in 2011 the main collections were enriched with new models true to Mido's spirit.



### CREATION

#### Baroncelli

2011 was marked by the launch of the first ladies' models with COSC certification in the Baroncelli collection. Synonymous with harmony and refinement, it was further strengthened by other new collections for women and men alike. Produced in rose gold, 316L stainless steel or a subtle combination of these two materials, these new launches reflect the perfect lines and meticulous attention to detail which characterize Baroncelli watches.

#### Multifort

Strength and resistance contributed to the success of the Multifort collection that in 2011 welcomed a number of new chronographs and models with three hands. Both the dial adorned with finely satin-brushed small plates and the sleek lines of the case give these timepieces a resolutely contemporary allure – the signature of a Multifort. The collection's flagship model in the brand's colors is adorned with a pair of interchangeable straps in black and orange leather.

#### Ocean Star Captain

Inspired by the marine world since 1944, in 2011 this collection was enriched with a black model that embodies understatement, whether with its PVD-coated case, its wave-motif dial or its rubber strap. A blend of aesthetics and technology, this automatic watch is water-resistant to 20 bar (200 meters/600 feet) and is equipped with a unidirectional rotating bezel.

#### Belluna

In 2011, the New York line inspired by the Chrysler Building and its Art Deco architecture assumed a French air. Clous de Paris hobnail-patterned dials embellish the 33 millimeter timepieces for ladies and 40 millimeter watches for men, produced in stainless steel and pink PVD versions.

### PRESENCE

During its 93rd year in existence, Mido strengthened its presence across its markets. The campaign christened *A mark of true design* was the main communication for the brand which successfully promoted its slogan in supporting its various activities around the world.

Mido's visibility was also heightened by the opening of new boutiques entirely dedicated to the brand in Hong Kong, Taiwan, Mexico, Macau, Shanghai and Nanking. China remains of great strategic importance, and the brand has a presence in 177 cities in the country. Mido's fame has grown steadily in the market, enabling it to establish itself as a must-have in its price bracket. Mido's distribution in Thailand, where the brand has long been active, was integrated into the Swatch Group subsidiary. Having entered the promising South Korean market last year, today Mido is present in the most important shopping centers in the principal cities in the country thanks to the opening of 40 points of sale in 2011. The quality of Mido's distribution network and its visibility with retailers was improved on the American continent where it strengthened its brand image. The many events and activities organized across the world in 2011 once again enabled Mido to share its values and its brand spirit, and to increasingly captivate the hearts of all lovers of fine watchmaking. ■





# HAMILTON MODERN TIME

www.hamiltonwatch.com

## TRENDS

Throughout the year Hamilton grew its turnover and brand presence around the world. Asia stood out as a particularly strong region, with Japan, China and Korea representing highly dynamic markets. Consumers continued to appreciate the brand's unique fusion of tradition and modernity in timepieces that stand out from the crowd.

The 2011 Hamilton new launches formed the Modern Times collection. Inspired by the 1936 Charlie Chaplin classic, these watches translated the past into the future with a distinctive Hollywood accent. Each piece took proud nostalgic moments of the brand's history and expressed these in the form of contemporary horological treasures. The resultant products proved extremely popular and their creative interpretation of a deep-rooted heritage laid strong foundations for the 120th anniversary that Hamilton will celebrate in 2012.

The introduction of two new calibers – the H31 and H21 – underlined the fact that Hamilton's cherished passion for detail produces major wearer benefits. These sophisticated Swiss Made ETA movements feature a power reserve of 60 hours.

## CREATION

One of the year's major product highlights was the launch of the stunning Hamilton Pan Europ watch. This automatic chronograph was inspired by a Hamilton watch of the same name created in 1971. The eye-catching design of the modern 2011 interpretation proudly celebrates the heyday of mechanical watches in the 1970s "pre-quartz" period and the huge popularity they now enjoy. Consumers were enthused by its contemporary aesthetic and its accuracy.

## PRESENCE

The fifth edition of the Hamilton Behind the Camera Awards was held on November 6th in Los Angeles. This ceremony honors the incredible work of behind-the-scenes talents whose work contributes to bringing movies and television programs to life, enhancing enjoyment for millions of people. It was presented by a high-profile list of actors, actresses and filmmakers, including Harrison Ford, Robert Pattinson, Jon Hamm, Michael Bay, Antonio Banderas, Pedro Almodóvar, Viola Davis, Jon Favreau and J.J. Abrams. Yasmina Reza (screenwriting for *Carnage*), Janie Bryant (costume design for *Mad Men*), Vic Armstrong (lifetime achievement in stunt choreography), Chris Weitz (director of *A Better Life*) and Emmanuel Lubezki (cinematography of *The Tree of Life*) were among the laureates. The Hamilton Behind the Camera Awards also honored the winner of the Hamilton Short Film Competition, established in 2011 for film students at educational institutions around the globe.

On an individual level, Hamilton reinforced its long-standing passion for movies by pursuing its partnership with Harrison Ford through a new collection of Hamilton timepieces sold to benefit the work of the charity Conservation International. Hamilton also made its debut on the movie scene in China in 2011 with watches on the wrists of Gong Li and Andy Lau in a Chinese version of *What Women Want*.



Making its mark in the skies, Hamilton strengthened its position in the aviation world as the official timekeeper of the EAA AirVenture at Oshkosh, USA, and as partner of Tannkosh, the biggest European air show which is held in Germany, the Free Flight Master Tour in France and the World Aerobatics Championship in Italy. Hamilton ambassador Nicolas Ivanoff took part in most events. Cooperation with various squadrons in South Africa, Canada and in Russia also contributed to securing the brand's status as the favorite watch of pilots. Making the thrill of aviation accessible to all, five full-sized branded mock-ups of the Votec 221, a Swiss advanced aerobatic plane, toured key locations in major cities in the United States, Asia and Europe. ■





# FLIK FLAK

## IT'S GOOD TO BE A CHILD!

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

### TRENDS

Flik Flak is the world's best-selling children's watch brand and has been keeping youngsters all over the world on track since 1987. Flik Flak was the first maker of children's watches to turn the concept of telling the time into accessible fun and entertainment and the brand is now available in more than 70 countries across five continents. The high quality Swiss Made watches have been delighting children for nearly a quarter of a century. In 2011, Flik Flak extended its commitment to education well beyond learning to tell time.

### CREATION

The brother and sister, Flik and Flak, are depicted on the Cute-Size watches to teach toddlers how to tell time. Full-Size models have generated enormous success with children who want grown-up watches with more sophisticated materials and styles. Inspired by trends, fashion, and children's taste, the brand's full range of watches has been thoughtfully conceived for children between three and nine years of age. In 2011, Flik Flak continued its long and successful collaborations with Warner Bros., Sanrio and Mattel. Another highlight of the year was the license agreement with Disney, which resulted in the creation and launch of the best-loved characters for the wrists of all children, including Disney Princesses, Cars, Mickey, Minnie, and Tinker Bell.



### PRESENCE

In 2011, Flik Flak continued to expand its retail presence around the world. New wall unit systems and displays were created to increase brand recognition and visibility, and to create interactivity with young customers. Flik Flak opened a retail space in the new Swatch Megastore on the Champs-Élysées in Paris. Another highlight of the year was the collaboration between Flik Flak and Alzouman in Saudi Arabia to open new shop-in-shops. The first, in Jeddah Haifa Mall, has already been inaugurated. ■



# TOURBILLON

## THE TOURBILLON EXPERIENCE

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



True to the spirit of the masterpieces signed Breguet, Blancpain, Glashütte Original, Jaquet Droz, Tiffany & Co., and Omega, as well as the exceptional Swatch models, Tourbillon constitutes the Haute Horlogerie distribution network for all Swatch Group's prestige brands. Its boutiques are located in luxurious environments in town centers at the most frequented and desirable retail addresses. Tourbillon's unique character lies in its ability to offer a large choice of timepieces and exceptional pieces to a demanding clientele. Committed to excellent service, the Tourbillon boutiques offer their clients an

incomparable experience – luxury based on the values of the products that make up their special world. Spending a few moments in one of these boutiques is about experiencing an emotion, a rare minute, a Tourbillon moment. In 2011, Tourbillon continued its development by capitalizing on the brands' images and philosophies. The boutique design translates their origins, emphasizing their respective universes and codes. The environment of a Tourbillon boutique is, however, defined by the harmonious, subtle cohabitation of shop-in-shops or branded corners.



Two new boutiques in Russia that embody the renewed design were inaugurated in Moscow and in St. Petersburg. In April, the Beverly Hills outlet became the official distributor for Breguet and in the future, will carry the brand's entire collection. Additionally, Tourbillon has transformed its location at Park Life in Beijing into a boutique dedicated to Breguet and Blancpain. In 2011, Tourbillon organized several new private events, showcasing the skill of the Swatch Group high-end watch manufacturers and perfectly displaying the perfection of its products. An art gallery near Puerto Banús thus served as an original setting for showcasing Glashütte Original's innovations. The Breguet Double Tourbillon was unveiled during an event at the Tourbillon boutique at the famous marina, where a demonstration by a master engraver also took place. Painting on enamel, Jaquet Droz's signature, was the focus of an event in the Moscow boutique. In Lugano and subsequently in Las Vegas, Tourbillon supported Omega during some iconic launches. With a network of 21 boutiques on three continents, Tourbillon pursues its mission to send its clients a message that is truly worthy of the fine watchmaking brands that it represents. ■



## TECH-AIRPORT EXPANSION IN ASIA



In 2011, Tech-Airport, Swatch Group's retail company specialized in the sale of watches and jewelry in airports, pursued an active policy of expansion which can be seen in the very strong growth of its network. Combining a solid watchmaking heritage with an extensive knowledge of the airport environment, the company has, in just a few years, become the partner of choice with the airports and the brands in the watch and jewelry sector. Tech-Airport has successfully responded to the needs of an international clientele by offering a format based on attractive boutiques, a diversified selection and expert service.



Operating under the multi-brand banner Hour Passion, and with single-brand boutiques for Omega, Longines and Swatch, Tech-Airport's 40 boutiques are located at airports in France, Switzerland, Germany, Ireland and Italy, as well as in Singapore and China. 2011 was a major year in the development of the retail entity with a focus on Asia, where Tech-Airport set up a number of points of sale. A 200 square meter Hour Passion boutique was opened in Chongqing in July, followed by three others in Changsha and Wuhan, and for the first time, a Longines flagship store. At the end of the year, a 210-square-meter Hour Passion space, side by side with an Omega boutique, was opened in Beijing.

Simultaneously, Tech-Airport continued its development in Europe with the inauguration of the Hour Passion boutique in Venice and the opening of its second point of sale in Dusseldorf. The company also won a major bid for tender at Geneva Airport enabling it to strengthen its presence by moving the current Omega boutique to a more strategic location. Hour Passion, Tech-Airport's multi-brand retailer, also plans to increase its floor space. Across its sites, considerable communication activities have attracted visitors to airports – the Hamilton plane in the boarding area in Geneva; major large-format campaigns for Omega, Jaquet Droz, Breguet and Blancpain at Nice Airport; Tissot's Augmented Reality and the Swatch podium

in Geneva – Tech-Airport both innovates and demonstrates great creativity in conveying the image and philosophy of the partner brands it distributes. The deployment of retail concepts in China and in the new European airports enables Tech-Airport to renew its "passport" to other destinations, with the first new landings scheduled for Berlin and Milan. ■





斯沃琪和平飯店藝術中心  
THE SWATCH ART PEACE HOTEL



# THE SWATCH ART PEACE HOTEL

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

2011 saw further significant progress with this high-profile project in China, one of Swatch Group's most important markets. The Swatch Art Peace Hotel, located on Shanghai's storied Bund, celebrated the completion of restoration work and the successful launch of the artist ateliers with a series of opening-day events in November. Present at the official ribbon cutting ceremony were ranking City of Shanghai authorities, members of Swatch Group's management, representatives of the Artist Selection Committee and a large local, national and international media contingent. The ceremony was preceded by a brief presentation of the project concept by President of the Swatch Group Management Board Nick Hayek, who also introduced members of the Artist Selection Committee, including Mikhail Kusnirovich, Chairman of the Strategic Development Committee at the GUM department store; François-Henri Pinault, Chairman and CEO of PPR; and Tan Sri Francis Yeoh, Chairman of the YTL Group. The journalists present were surprised to see actress Salma Hayek, who had joined her husband, François-Henri Pinault, for the day's events. After the ribbon had been cut, journalists and representatives of Shanghai's government were given a tour of the two floors in the hotel where visiting artists live and work. Many of the artists opened their ateliers for the guests and were on hand to present and discuss their work; the opening ceremony and related activities enjoyed extensive global media coverage. Known initially as the Palace Hotel and in later years as the South Building of the Peace Hotel, the building was renamed The Swatch Art Peace Hotel. As Mr. Hayek has noted, the new name reinforces the already strong connection between Swatch and art. To underscore that relationship and to introduce the hotel's new role to the people of Shanghai, Swatch organized a day-long Street Painting event on the Bund. Thirty-eight large canvases were set up at intervals along the broad waterfront walk, and participating artists were provided with brushes, paint and all the tools necessary to produce a work of art. Throughout the day, the artists, school children, art students and

members of the public created art in the street – Swatch Art on the Bund. The Swatch Art Peace Hotel is a historically significant building. As the Palace Hotel, it had been the site of a number of notable events and had welcomed many key figures from modern Chinese history. Its distinctive architecture is typical of the buildings of the Bund built along the western bank of the Huangpu River in the late 19th and early 20th centuries. In 2010, four exclusive boutiques – Breguet, Blancpain, Omega and Swatch – opened on the ground floor of The Swatch Art Peace Hotel and the full opening in 2011 represented the completion of restoration work which had been painstakingly carried out to respect the building's heritage and preserve its features. Earlier in 2011, the first "test-pilot" artists had moved into their ateliers and provided positive feedback and some suggestions for practical improvements. That initial group completed their stays and new arrivals took their places. The list of artists who have lived and worked at The Swatch Art Peace Hotel includes, among others, painters, photographers, sculptors, a writer, a filmmaker, a composer, an opera singer and two sound artists. The concept of inviting artists from a broad range of countries has also found confirmation with the presence of visiting artists from Canada, China, France, Germany, Japan, Italy, the Netherlands, the United States and Switzerland.



Other highlights from 2011 included the opening of the exclusive and very popular Shook! restaurant and Roof Terrace in early summer, corporate events in the fifth-floor Gallery, and a number of well-attended shows on the first floor, among them a Blancpain exhibition, a preview of the Blum collection of Swatch watches that were later auctioned in Hong Kong, and a remarkable collaboration between Omega and the renowned photographer and ecologist, Yann Arthus-Bertrand. ■







# CITÉ DU TEMPS SPANNING THE CORNERS OF TIME

www.citedutemps.com



In 2011, the Cité du Temps took visitors on visual adventures spanning every corner of the world, through over 20 inspiring exhibitions. Artists from highly varied backgrounds presented their creativity in forms as diverse as sculpture, graffiti, photography, painting and drawing. Ensuring all of the visitors' senses were satisfied, a new restaurant, "Au Phil du Temps", also opened in the building, in partnership with Philippe Chevrier Le Traiteur.

## Home of horology

Located in the heart of Geneva, the Cité du Temps delights in showcasing the fascinating world of horology and exploring the subject of time. An exhibition by Breguet presented the 10 Hertz frequency horological revolution, while Jaquet Droz looked back at three centuries of watchmaking history in "From the Forbidden City to the Cité du Temps." Tissot put ladies first with a revealing exhibition on creating timepieces for women through the ages. Exhibits ranged from nineteenth century pocket watches to tactile contemporary pieces, elegantly interspersed with items of ladies' undergarments. French artist, Stéphanie Guglielmetti even made watch components dance, incorporating their shadows in a fascinating "performance".

## An important anniversary

An exhibition was organized to honor forty years of the remarkable work done by the emergency medical aid organization Doctors Without Borders as well as the thirtieth anniversary of its Swiss section.

## Artistic adventures

The inspiration of time kept good company all year in the capable hands of international and local artists. Stunning photographs by Yoshi Shimizu facilitated a virtual trip to the Kallaway healers from Bolivia. Turning the clocks back in style were the 1950s-inspired paintings of UK-born Stephanie Fonteyn in "L'Epoque". A very today-driven show by five graffiti artists exuded huge urban energy and Xiaoyang Galas' work soothed with its future-orientated message of peace. Bringing things closer to home was a touching tribute the late René Parodi (1914–1989), focusing on the ability of this much loved Geneva artist to build bridges between numerous different artistic periods and styles. The Cité du Temps has been a harbor of creativity and thought since 2005. Celebrating this tradition and committed to continuing it was "Time Capsule", an amazing art kaleidoscope of favorite pieces from some of the many exhibitions that have shaped the venue's colorful and inclusive history. ■

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actes  
à la  
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MÉDECINS SANS FRONTIÈRES  
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# PRODUCTION

## WATCHES, JEWELRY











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## ETA MANUFACTURE HORLOGÈRE SUISSE

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

2011 was an excellent year for ETA, both in terms of results and volume. Swatch Group invested heavily in production methods, involving staff recruitment, implementation of infrastructure and industrialization processes as well as logistic and management systems that will enable an increase in the capacity available to the brands for the next few years.

In the area of mechanical products, activity linked to new developments once more increased, as demonstrated by the production of the A07.L31 movement, a retro Longines moonphase; the A05.H31 movement, a personalized chronograph for Hamilton; and the Omega A14, A16 and A22 automatic calibers. Omega's exclusive A22 chronograph necessitated the creation of a new ultramodern line in Grenchen, ensuring the mastery and reliability of the assembly process.

Quartz products have also been a big success, especially those resulting from the E49 development program launched to integrate new technologies intended for the Tissot Touch Compass with the E49.301 movement, and the Certina DS Multi-8 with the E49.351 analog-digital movement. The E22.303 analog-digital caliber with pilot function for Omega, the G15.561, retro perpetual calendar for Tissot, and finally, the E20.373, analog-digital for Hamilton, all attracted considerable attention when they appeared on the market.

Swatch's products built on their success, most notably, with the Swatch Touch launched in summer 2011, the New Gent and Colour Codes models, and with the Irony line with a stainless steel case.

In order to attain the high production speeds required for the completely Swiss Made steel cases, modern, highly automated machines were installed in Grenchen. These new technologies are intended for case machining and polishing operations and will soon be running at full capacity.

The expansion of products in the mechanical, quartz and Swatch ranges developed and industrialized in optimal transit time would not be possible without the close collaboration maintained by ETA with its partners at Swatch Group. The ongoing development of new products, with the aim of continuous improvement of their performance, also requires an excellent quality policy. The integration of the quality process, from development through to industrialization, enables reduced transit time and cost optimization thanks to the establishment of standardized development plans (PSD, *plan standard de développement*). This industrial performance requires the precise management of logistics pull-flow. The establishment of a management system for flows and data is underway to support the logistical administration this implies. The system has already been implemented on the Diantus and FFB production sites and will be in place throughout the company between now and 2013.

In order to meet the dual challenges of increasing productivity at the same time as maintaining considerable flexibility, ETA has invested heavily in mastering manufacturing processes as well as in the modernization of its industrial facilities.

Striving for verticalization began over the past few years and has been pursued thanks to the acquisition of and construction on new production sites. Amongst these is the new dial factory in Grenchen, an ambitious project aimed at manufacturing entry and mid-level dials for all Swatch Group brands. The future T1 assembly factory for Omega in Villeret will allow even greater optimization of synergies with its sister company, Nivarox-FAR in the development and production of Co-Axial movements. Finally, the industrial park at Boncourt, designed to house the production of all supplies for quartz products and Swatch watches, will be operational at the beginning of 2013.

These new sites will benefit from top class technology and automation. They will be operating at full capacity in 2013 and will serve to reinforce Swatch Group's industrial competencies.

Specialized in external watch parts, Mecos was successfully integrated into ETA on January 1st 2011. During the past year, its position as a privileged supplier of crowns and push buttons was strengthened. Investment in production was primarily in automated processes and new technologies. This has allowed Mecos to develop an innovative approach to machining and finishing extremely high-quality shaped pushers, resulting in exclusive designs with no restrictions on shape, not to mention a reduction in the number of operations that in turn considerably shortens transit times.

High demand in 2011 resulted in the recruitment of more than 1200 additional employees by ETA, all of whom received specific introduction programs, enhancing their skill set for their new positions. At the same time, considerable investment was made in apprenticeships for core business jobs, increasing the level of expertise, flexibility and versatility of employees.

All investments made in 2011 were part of a long-term vision and the benefits will be fully reaped in the near future. They play a direct role in increasing industrial and human competencies, as well as the quality of the Swiss Made movements manufactured by Swatch Group.

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

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## FRANÇOIS GOLAY

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

François Golay and Valdar merged under one name at the end of 2010, becoming François Golay SA. The benefits of this merger were felt in 2011, as much in terms of growth in turnover as in productivity increase, as well as in the continuous improvement of product quality.

Considerable investments made during the year enabled François Golay to diversify its production facility. This diversification resulted in the creation of a swage tool development and production department. To the enormous pride of the employees hired to take on this challenge, the first automatic swage tool for spoke wheels by François Golay was produced in the workshop in November 2011. In order to meet the increasing demands of its clients, the machining department was also modernized with the acquisition of state-of-the-art, high-performance machines. Finally, the electroplating department is being extended with the object of bringing more manufacturing operations in-house.

In order to ensure the safety of its employees, François Golay has undertaken an upgrade of all security systems in its machines. Within the context of its development, the company has continued with the reorganization of its production workshops, leading to the opening of a fifth site to house fitting and assembly in Le Sentier (Vallée de Joux).

The success enjoyed in 2011 also resulted in the hiring of new personnel at François Golay. Consequently, several additional positions in specialized trades were created. The training program that was undertaken with all staff in 2009 is nearing completion, and will have contributed to reinforcing their sense of belonging to the company.

Thanks to its staff's knowledge and skills, as well as all its various activities, François Golay aims to become the most efficient top-of-the-range sub-contractor in the Vallée de Joux

## NIVAROX-FAR

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

In 2011, Nivarox-FAR's growth continued, principally in the area of new activities such as mainsprings, dial appliques and gear trains, as well as small, delicate profile-turning operations required to manufacture premium mechanical movements.



**Nivarox**  
Les régulateurs du temps

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Each of these activities was allotted dedicated surface area, and considerable investment was made to ensure that capacities were adapted to market demand. While great efforts were dedicated to production methods, considerable attention was also paid to skills that would guarantee the mastering of all types of components and shorten the development time required for new products by providing them with dedicated capacities.

Nivarox-FAR manufactures its appliques, for Blancpain among others, to unprecedented quality and aesthetic levels thanks to polishing techniques developed in close collaboration with different production companies belonging to Swatch Group. Moreover, a new production line for stone settings – or dial cages – has been set up, in particular to support the success of Omega's Constellation and Ladymatic models.

A unit dedicated to the production of parts for the prestige segment has also been implemented in order to reinforce the quality of small series manufactured for Breguet and Blancpain.

Finally, considerable investments were made in new technologies such as the production of silicon parts or the LIGA manufacturing technique at the Marin (NE) site, thus supporting the development of new calibers manufactured for Omega and for Breguet.

Important conversions took place on Nivarox-FAR's various sites, including the replacement of the roof of the factory at Fontaines (NE). Strict planning, staggered over several phases, meant that production was uninterrupted during the construction. This success was made possible by the repeated removal of all the equipment, involving some 800 machines.

With respect to product development, Nivarox-FAR continued to reinforce its competencies in the areas of materials and technical specifications, stemming from increasing synergies with Swatch Group's various research and development laboratories and companies. These teams are working on the design and industrialization of new releases soon to be unveiled.

Generally speaking, 2011 was a year of consolidation of Nivarox-FAR's expertise in its specialized field of nanomechanics.



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## COMADUR

www.comadur.com

For Comadur, 2011 was marked by a drive resulting from the growth and innovation of the affiliated companies within Swatch Group. As a result, Comadur adapted its operational and communication structures to facilitate the rapid, structured creation of new products.

The company from Le Locle (NE) is distinguished by its entirely verticalized production. Consequently, all its products are manufactured using powder technology and are machined right through to the finished article. In 2011, ensuring the supply of raw materials was successfully achieved thanks to diversification of sourcing. Constantly confronted with technological breakthroughs, Comadur implemented an investment program based on the automation and the productivity of its equipment, adapting its production means in order to be better able to fulfill Swatch Group's requirements in terms of sapphires, ceramic and watch jewels.

Ceramic items were in high demand by the brands that use them according to their style, as powder injection technology allows for all forms of decoration. Comadur multiplied its production capacity of ceramic bezels six-fold and increased its production capacity by 50% in the area of cases and straps made of hard materials.

Demand for ceramic products is no longer limited to black, white or metallic. The company has consequently acquired and developed different decorative means, such as inlaying amorphous metals on ceramics, or metallizing ceramics. In order to enhance the optical transmission of sapphires, new anti-reflection treatments were developed, which, by making the sapphire crystal invisible, offer better visibility of the colors of the dial and hands.

Comadur intends to continue its program of monitoring brands' needs, in terms of both quantity and innovation.

## RUBATTEL ET WEYERMANN

2011 was once again synonymous with a strong demand for dials on the part of Swatch Group's brands. Rubattel et Weyermann therefore succeeded in adapting its infrastructure to respond efficiently to their needs. This objective of volumes increase was achieved thanks to a constant quest for synergies with MOM Le Prélet. Product segmentation and the consolidated steering of existing production capacity were also key factors in increasing efficiency and improving responsiveness.

Staff retention as well as the training of new employees continued to be the fundamental activities used in seeking to safeguard the company's knowledge base. The many investments made by Swatch Group in Rubattel et Weyermann throughout the year enabled the company to maintain high-performance production facilities. At the same time, research for new manufacturing processes continued, in order to ensure industrial capacity and productivity growth through the automation of certain operations.

In 2011, Rubattel et Weyermann was much in demand for new product development requests. Its advisory and supporting role for the design departments of the Swatch Group brands thus remains a priority and significantly contributes to their satisfaction with the dial maker.

## MOM LE PRÉLET

Initiated in 2010, the common strategy in cooperation with Rubattel et Weyermann was pursued during the reporting year. A constant search for synergies, the consolidation of production capacity and the centralization of support and administrative functions contributed to provide a positive response to the strong increase in demand from the Swatch Group brands.

The product development and technical departments of both companies were merged and now respond equally to the requests they receive. The segmentation of products is thus established upstream, right from a dial's inception, making it possible to guide industrialization in accordance with the capacity and workload of both sites. Generally speaking, MOM Le Prélet focuses on production for high volume brands, leaving premium range and small series to Rubattel et Weyermann.

MOM Le Prélet has significantly increased the number of dials manufactured thanks to its own expertise and its permanent access to the know-how cultivated by Rubattel et Weyermann. As a natural extension of the investments made in 2010, an important effort has been made on technical and human fronts to calibrate the production facilities. The organizational and structural foundations which are now defined and consolidated will enable MOM Le Prélet to enhance its ability to respond to its customers' qualitative and quantitative demands.





## DEUTSCHE ZIFFERBLATT MANUFAKTUR

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

During the reporting year, Deutsche Zifferblatt Manufaktur (DZM) increased its production of superior quality dials, thanks to targeted training and modernization measures, and strengthened its position on the watch market through a significant level of integration of its production.

The use of new surface coatings in particular enabled the company to produce even more complex dials. The application of laser technology also resulted in substantial improvements in the area of machining techniques.

To be able to meet the ever-increasing demand from its Swatch Group clientele, a decision was taken to increase machining capacity significantly and transfer the production workshops to much larger premises, necessitating the acquisition of a new building. This forward-looking decision will enable DZM to continue developing its dial production and optimizing its manufacturing process so it can meet Swatch Group's growth forecasts. The layout of the department responsible for surface treatments was developed in accordance with this latest information and will serve to meet the extremely high quality criteria applied to dials and also to increase productivity.

Thanks to this measure, the DZM site in Pforzheim is even better prepared for the future.

## UNIVERSO

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

The steady sales of Swiss watches in the markets, particularly in Asia, contributed to Universo's highly enviable situation. The first half-year of 2011 continued in the same vein as 2010 for the leading manufacturer of hands and supplier of dial appliques, which also enjoyed a significant order increase during the second half of the year.

## Hands Division

All production lines had to deal with large order volumes. Capacity was increased, particularly in the part-by-part production of brass and gold diamond-cut hands. The introduction of several state-of-the-art CNC machines enabled the renovation of the production division and strengthened the reliability of manufacturing processes.

Orders received by the Universo Hands Division were predominantly from Swatch Group, which meant that production capacity was largely devoted to the brands belonging to the world's largest watchmaking group. In step with this evolution, all departments launched a number of logistic and technical projects, such as the development of new machines and other tools specifically for industrial hand production, in response to the demands from all market levels.

## Dial Appliques Division

Universo's Dial Appliques Division produces dial indexes and appliques. Most production is done in brass, while diamond-cut indexes are used to adorn particularly beautiful dials for Swatch Group's top-of-the-range brands, notably Omega.

In 2011, considerable efforts were made, both in terms of investment and the commitment of resources, to deal with very large order volumes, while short-term forecasts indicate further substantial increases in production costs. The Appliques Division also acquired several new machines and machining centers, while careful thought was devoted to the optimization of manufacturing processes, and the initiation of a project to industrialize the production of indexes for the brands in the mid-range segment. In order to meet high market demand and anticipate an increase in volumes over the next few years, Universo bought a piece of land west of La Chaux-de-Fonds (NE) with the aim of developing it in the mid-term and thus regrouping its three current sites within a single entity.

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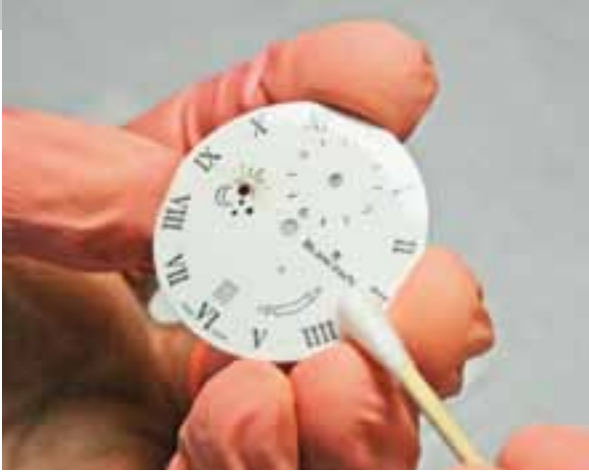
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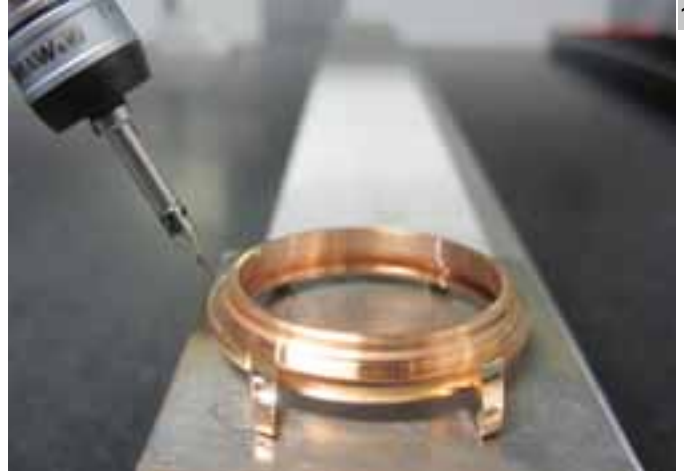




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# L A S C O R

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## MANUFACTURE RUEDIN

2011 proved to be a pivotal year for Manufacture Ruedin which was able to respond to its clients' exacting needs in terms of both quantity and quality, while engaging in an important phase of the modernization and rejuvenation of its production facility. In terms of human resources, these activities led the company to consolidate its skill base, although the workforce actually grew considerably. Manufacture Ruedin rose to all the challenges confronting it, responding to strong demand from Swatch Group brands and achieving double-digit growth for 2011. Product development in collaboration with the brands also represented an essential activity for the company, which specializes in watch cases that combine metal with hard materials – ceramics, hard metals and sapphire crystal. Key clients were successfully partnered in the creation of new products, such as the Seamaster Planet Ocean and the Seamaster 300 m for Omega. Where Rado was concerned, emphasis was placed on the development of the Rado D-Star and Rado Centrix lines. The focus was on the 29-millimeter models in the La Grande Classique de Longines collection in both stainless steel and diamond-set stainless steel versions. The Manufacture from Bassecourt (JU) intends to continue its investments in the renewal and improvement of its machinery, in order to ensure continuous improvement of its competitiveness and product quality. The company also needs to be able to rely on qualified staff to continue offering ever more comprehensive service to its customer brands.

## LASCOR

Lascor achieved a strong production increase in 2011. This evolution resulted from installing new machines for the production of gold cases and steel and gold bracelets as well as from the introduction of machines for buffing, polishing and satin-brushing operations. The increase in production volumes called for the recruitment of operators, especially for such tasks as hand finishing and CNC machine adjustments.

A new specialized repair workshop and a methods department were created, and the management of gold was optimized thanks to improved tracking and control of the gold flow. In order to rationalize the flow and to enhance production efficiency, the making of two-tone bracelets and bezels was separated from that of gold cases and bracelets, transferred to a separate building and placed under new management. The production of steel products was also relocated to a separate building. Finally, substantial efforts were made to improve quality, in the form of automatic inspections conducted during various phases in the production process, from machining to case finishing and assembly.

## NOVI

Located in Genevez (JU) and created in 1987, Novi started out thanks to an initiative on the part of Omega and ETA who were its first clients. Since then, the company has achieved significant renown in the realm of watchmaking areas such as the assembly of mechanical movements, watch finishing and after-sales service. Its integration into Swatch Group on January 1st 2011 gave a fresh boost to Novi, which saw its staff size increase from 130 to 170 in the course of the year. This growth resulted largely from the needs of ETA, which subcontracted the exclusive assembly of certain mechanical movements to Novi. With regard to the finishing of watches, production capacity was swiftly reoriented, and then increased in order to meet the considerable needs of Swatch Group brands in the top, luxury and prestige market segments. After-sales service activity has meanwhile also continued, and this department has been working primarily for Swatch Group for many years. In acquiring Novi, Swatch Group has integrated a new production center which, thanks to its skills, versatility and flexibility, has already made significant contributions. Novi's highly motivated employees are keenly engaged in their activities, and are proud to be able to participate in the development of the world's largest watchmaking group.



## SWATCH WATCH GROUP ASSEMBLY

In 2011, the activities of Swatch Group Assembly focused on increasing the capacity available to the brands and the development of new lines and flexible production cells, as well as on the company's expansion.

The introduction of this additional capacity and these new processes has made it possible to enhance flexibility and greatly increase production. Swatch Group Assembly is on the point of finalizing the extension of its surface area, in order to continue offering its clients new services and an ever greater assembly capacity. The extra floor space will enable the company to offer the brands additional services in terms of component storage and logistics.

A continuous education division was also created, providing additional options. The list of actions undertaken by the company in 2011 also includes the integration of bracelet fitting into the production cells. Thanks to these transformations, Swatch Group Assembly has become the biggest finisher in Switzerland in the mid-range product segment.

With these various activities impacting the working environment and the assembly process and tools, as well as the human resource measures taken, Swatch Group Assembly has managed to achieve the versatility and level of maturity that enables it to assemble all sorts of watches – from quartz models to chronographs and mechanical timepieces, as well as Tissot's T-Touch models – and to offer them an identical transit time no matter what their level of complexity.

## DRESS YOUR BODY (DYB)

Responsible for developing jewelry and artistic crafts within Swatch Group, Dress Your Body (DYB) continued to integrate its activities and hired several specialized employees in 2011.

Consisting of jewelers, polishers and lost wax casting specialists, DYB's jewelry and high jewelry department pursued its design, development and production activities for its jewelry lines and jewelry watches. The company worked extensively for Breguet on pieces called Rose de la Reine, Petite Rose and Lune, as well as the Petite Fleur watch that will be part of the Crazy Flower collection. Following a recent development focusing on mechanical activities, operations involving the high jewelry decoration of watch cases were reinforced and implemented with the new Petite Fleur line.

The machining and gem-setting department's production increased considerably during 2011. This increase in volume concerned all areas of competency for DYB's production unit, in both traditional and mechanical gem-setting, from the manufacture of parts for high jewelry models and finished products to artistic crafts such as engraving, chasing and chamfering. In order to meet clients' increasing requirements, new staff was recruited, and production was reorganized in order to improve efficiency. The parts manufacturing unit, whose set-up began in 2010, has matured and it successfully met order demand while responding quickly to requests for new developments.

As a center for the purchase of diamonds and gemstones for the entire Swatch Group, DYB Gems makes the competencies of its gemology specialists available to the brands, both in terms of sourcing and cutting stones. The reporting year saw very strong growth in the sale of precious stones and through continuing demand for diamonds in watchmaking. DYB's knowledge of the key players in the diamond market and the negotiations it conducted with them enabled the company to develop under the best possible conditions. Benefitting from synergies associated with complementary purchases made by the Swatch Group brands, DYB Gems continued to guarantee its clients a supply with the best possible market conditions, significantly increasing its deliveries while continuing to maintain irreproachable quality standards.

# ELECTRONIC SYSTEMS







## EM MICROELECTRONIC

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

EM Microelectronic, the ultra-low power and low voltage semiconductor arm of Swatch Group is looking back at a challenging but positive year. During the first half of 2011, volumes met expectations and the soaring Swiss franc could be counter-balanced by cost reduction measures. In the second semester, sales were influenced by semiconductor inventory corrections through the supply chain, which especially affected EM Microelectronic in its position at the end of this chain. Despite a conservative order pattern among most customers outside of the watch industry, EM Microelectronic remained profitable.

New products were launched on the market, and even more (e.g., applications in retail, smartcards or Bluetooth® low energy technology) are close to qualification and will hit the market soon, thus gradually resuming revenue growth and strengthening

EM Microelectronic's profit.

The sensor interface segment saw a volume increase in the use of EM Microelectronic's primary sensor product, namely accelerometer interfaces. For use in commercial platforms these devices have found widespread use in mobile phones, most notably in the fast-growing Smartphone segment where EM Microelectronic has been able to capture a significant part of the market.

EM Microelectronic is a major contributor to the Bluetooth low energy technology standard, which is progressively being adopted by wireless portable electronic device manufacturers. During the Bluetooth Technology Conference in Munich, EM Microelectronic announced the Bluetooth V4.0 qualification of its EM9301 RF Controller, a low-voltage circuit which allows portable applications to take advantage of a wide range of common single-cell batteries or energy harvesters such as solar cells, piezo-electric and electro-magnetic elements. It also allows the building of today's most energy-efficient solutions for a Bluetooth low energy technology application, reinforcing EM Microelectronic's offer in low energy 2.4 GHz solutions.

In the RFID segment, EM Microelectronic launched the EM4325, a multi-standard circuit with an integrated temperature sensor. This versatile IC is well suited for innovative applications (e.g., based on energy harvesting devices); it is able to offer wireless communication capability to advanced RFID tags or embedded applications for asset configuration and control. For increased communication range and reliability, it can be configured in battery-assisted passive mode. EM Microelectronic further developed the EM4124, a new-generation EPC circuit tailored for retail, logistics and supply chain applications. It offers best-in-class sensitivity with superior reading range and will soon be integrated in a well-known apparel supply chain application.

In the watch business segment, EM Microelectronic continues to assure independent supply of key microelectronic components and technologies essential to the success of Swatch Group watches. In this regard, a special effort has been made to deliver two new Flash memory-based watch microcontrollers, one of which is specifically dedicated to the new Tissot T-Touch platform.

But 2011 will definitely be remembered for the breakthrough achieved in the brand new flexible display technology.

EM Microelectronic pushed the industrialization and final qualification of the new displays in parallel with a steep production ramp-up and first-time high volume production. Its efforts were rewarded with the launch at the beginning of October of the new Swatch Touch, an innovative wristwatch introducing an always-active capacitive tactile technology to Swatch.

As for most EM Microelectronic technologies, the new flexible displays and the tactile function are well suited for non-watch applications; they are, for example, integrated in today's most advanced credit cards. At an organizational level, EM Microelectronic consolidated the framework for the high-security product development by extending its Information Security Management System (ISO 27001) certificate to ASICentrum, its semiconductor design premises in Prague.

## RENATA

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

Three words concisely describe Renata in 2011: improved market position. The specialist for watch- and micro-batteries experienced a year defined by a difficult business climate. Unpredictable financial markets led to an explosion of precious metal prices, particularly of silver, the main component in watch batteries. The strong Swiss franc made it challenging to sell high-quality products in euro and US dollar zones. At the same time, the raw material supply was jeopardized by the tragic earthquake and tsunami in Japan.

Even in these circumstances, Renata managed to increase its sales volume significantly and in spite of currency losses, enjoyed improved revenue. These achievements resulted in part from the positive atmosphere in the watch market but were primarily due to a complete product portfolio of the more environmentally friendly mercury-free watch batteries. There was an increased demand for these products, introduced in 2010, and their worldwide availability at Renata convinced customers to purchase them from the Swiss specialist. The successful year was supported by a completely redesigned homepage with a fresh new look and extensive technical information on the company's product range, increasing the website's appeal to customers. In the industrial sector, Renata demonstrated extraordinary flexibility and reliability with its support of a key client in urgent need of supply by multiplying its production at very short notice. With the logistical upgrade of the factory in China, Asian contract manufacturers benefitted from the delivery of products from the on-site warehouse. Cooperation with other Swatch Group companies was intensified successfully; Moebius relocated to Renata's premises in Itingen. Once again in 2011 there were joint trade fair presentations: Renata was at Baselworld with ETA and Universo and it was at MD&M in Anaheim (USA) with Microcrystal. As in previous years, Renata was present at the Watch&Clock Exhibition in Hong Kong and at JCK Las Vegas.



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## MICRO CRYSTAL

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

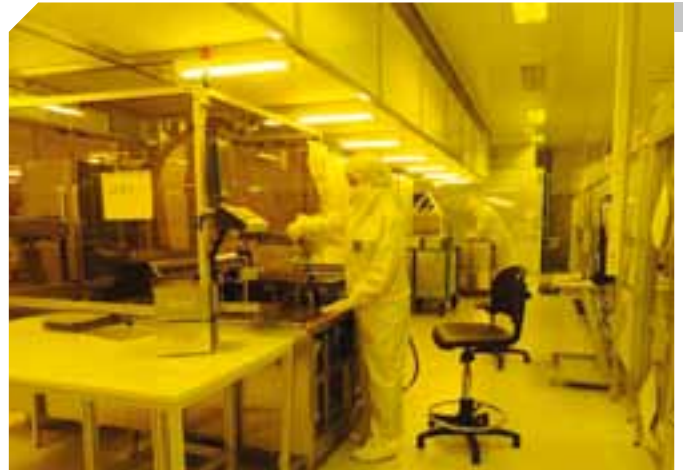
Micro Crystal is the only industrial manufacturer of low-frequency quartz outside of Asia. This fact emphasizes its strategic importance for Swatch Group and other European watch manufacturers. Without its production of quartz for watches, the European watch industry would depend on Japanese-made quartz. Despite this strong strategic position in the area of quartz for watches, Micro Crystal only achieves a small portion of its turnover in this sector of activity. Low-frequency quartz crystals intended for a vast range of portable electronic devices – the sector in which Micro Crystal and several Japanese manufacturers are the only suppliers in the world – account for most of its sales.

In 2011, Micro Crystal once again achieved the record volumes of the previous year, with nearly a quarter of a billion quartz crystals produced. Sales were extremely high right from the beginning of the year. In the spring, following the Japanese disaster caused by the tsunami, demand quite simply exploded and led to panic buying of quartz crystals. During the last few months of the year, however, Micro Crystal suffered a substantial reduction in orders due to inventory built up during this period and to the slowdown of the world economy.

During 2011, Micro Crystal put as much effort as possible into compensating for currency exchange losses in relation to the American dollar through the introduction of innovative techniques, automation and the use of new purchasing channels. The portion of turnover achieved through innovative new products once again increased.

Several new high-technology products will soon be launched on the market. Micro Crystal will notably present two even smaller quartz crystals, designed to be used in electronic sub-modules. Investments have been made in new assembly processes and technologies with the objective of manufacturing these products. In addition, Micro Crystal is focusing intensely on the combination of quartz and integrated circuits in a unique miniature package. Several real-time clocks and oscillators developed in conjunction with the affiliated company, EM Microelectronic, and with big external manufacturers of integrated circuits, are now ready for their launches.

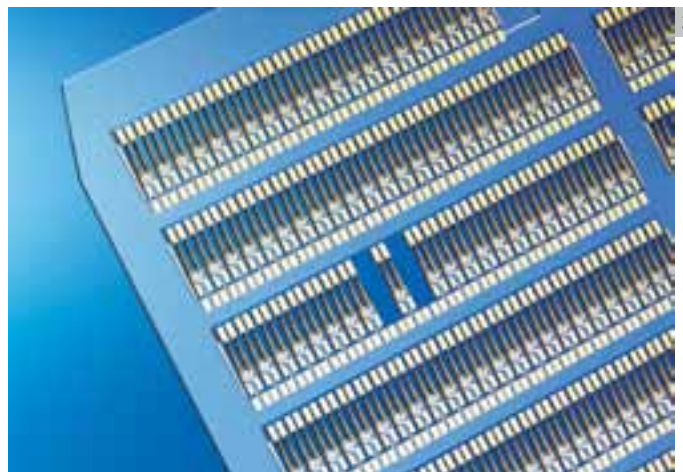
Thanks to rationalization measures taken, and the introduction of innovative new products, and despite a difficult market environment, Micro Crystal remains confident in the ongoing success of its activities.



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**OSCILLOQUARTZ**
**OSCILLOQUARTZ**

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

Specializing in time-frequency, Oscilloquartz supplies fixed and mobile telecommunication operators in over a hundred countries with network synchronization systems and provides time-frequency oscillators based on GNSS systems (GPS GLONASS, soon to be GALILEO) to base stations. Additionally, Oscilloquartz manufactures clocks based on caesium, the new generation EUDICS (European Digital Caesium Source), used as frequency and time references for metrology and localization applications.

Despite a reduction in turnover during the first nine months of the year due to the economic climate and the strength of the Swiss franc, Oscilloquartz maintained its operating results thanks to continued improvements in its operational efficiencies. Meeting the drop in international industrial activity and increased competition from American manufacturers head on, Oscilloquartz continued its geographical and technical expansion, thus strengthening its position. Following the opening of new sales channels, the leader in time-frequency and network synchronization has enjoyed major successes in India, the United States and Central America – compensating for stagnation in certain traditional markets. Wireless activities are focusing on the LTE (Long Term Evolution) infrastructure which requires microsecond synchronization, notably to support MBMS (Multimedia Broadcast and Multicast Services) protocol used by mobile television. The MBSFN function (Multimedia Broadcast Single Frequency Network) is based on a network synchronized with the base station (eNBS), providing an opportunity for Oscilloquartz, which is equipped with high-performance oscillator technology and compensatory technologies for the effects of thermal resistance and aging. Based on holdover mode, these products ensure the maintenance of external frequency or the timing modules using GNSS or PTP (Precision Time Protocol) signals.

The main issue with the different applications – fixed or mobile networks, radio-communication, metrology and time and frequency distribution – is the stability of the source of frequency to ensure enough capacity to maintain clock performance over several days. 2011 saw the birth of the first clocks with micro-machined caesium vapor cells based on CPT (Coherent Population Trapping) technology which, associated with micro-assembly technologies (MEMS), achieve the objective of ensuring the stability of an atomic watch the size of a quartz oscillator, thereby confirming great perspectives ahead.



4

**SWISS TIMING**

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

For Swiss Timing, 2011 was filled with events and innovations underscoring its mission to:

- serve Swatch Group's brands;
- guarantee excellent state-of-the-art service, performed with competence and reliability;
- act as a driving force for innovation in the measurement of time and the management, presentation and distribution of results.

2011 started with two multisport games. In January, the 7th Asian Winter Games in Almaty and Astana (Kazakhstan) brought together 1500 athletes from 45 nations. In February, athletes from 57 nations competed in eleven disciplines at the 25th University Winter Games in Erzurum (Turkey).

From June onwards, Swiss Timing technicians were in London to participate in test events for the 2012 London Olympic Games for Omega. In July, they participated on behalf of Tissot at Eurobasket in Poland. Afterwards, Swiss Timing officiated at the 26th University Summer Games in Shenzhen (China), and they finished the year at the World Mind Games with Rado, in Peking (China) in December.

Significant multi-year contracts were re-signed in 2011 including, among others, Longines' agreement with the International Ski Federation for downhill skiing, and Tissot's with the International Cycling Union.

Three distinct products earned mention in the area of timekeeping innovation:

- The new arrival gate for swimming in open water used for the first time during the FINA world championships in Shanghai (China);
- The e-gun – a completely electronic starting pistol designed to replace the old cartridge-type pistols, and already in use in speed skating and athletics;
- A GPS localization system, initially developed with virtual 2D images, evolved to 3D images, making it possible to see the positions of yachts in real time.

There is no doubt that Swiss Timing is prepared to meet the challenge of the coming Olympic year.



# CORPORATE, BELENOS





THE SWATCH GROUP RECHERCHE ET DÉVELOPPEMENT SA

ASULAB



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## SWATCH GROUP RESEARCH AND DEVELOPMENT

The Swatch Group Research and Development Ltd, founded in 2005, encompasses the activities of Swatch Group's research divisions as well as certain divisions responsible for pilot productions and special products. It is also involved in coordinating the technological innovations of the various other Swatch Group companies.

### ASULAB

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

As Swatch Group's central research and development laboratory, Asulab's core mission is to design technically innovative watch products, subsystems and components and to develop state-of-the-art manufacturing technologies. To accomplish this mission, in 2011 Asulab increased and adapted its team of engineers and technicians in order to meet specific demands and reinforce strategic competencies in terms of materials and mechanics, notably in the realm of optics.

To better respond to needs, Asulab substantially increased its contacts and reinforced joint projects with the various Swatch Group companies and brands. In order to acquire new competencies and new processes or components, Asulab continued to follow up on and extend partnerships with the most renowned research institutes in Switzerland and abroad.

During the past reporting year, the integration of new machining technologies made it possible to significantly improve the quality of pieces produced and to extend machining possibilities beyond conventional methods.

Several newly developed and validated processes are in the technology transfer phase to the relevant production companies, and the improved components resulting from these new procedures will soon be placed on the market.

In the domain of components and materials, mention should be made of new applications for amorphous metal, also known as metallic glass or Liquidmetal®, which is now used, for example, for the membrane of a mechanical depth gauge for a Swatch Group brand.

With regard to electronic, display and optical technologies, a new concept for a small electronic watch was developed in response to a specific demand. This concept is currently being adapted to industrial scale manufacturing and will take the form of a product soon to be marketed by a Swatch Group brand.

Two developments, in the form of an extremely low-power electronic circuit managing a touchscreen interface and a plastic liquid crystal display closely following the curve of the watch glass, enabled the development – in conjunction with ETA, EM Micro-electronic, Renata and Swatch – of the new Swatch Touch product, a digital and completely tactile watch. Asulab has also developed and implemented prototypes of production machines for EM Micro-electronic, to be used to produce plastic displays for this colorful new model with its original design.

## MOEBIUS

Moebius is a company specialized in the production and commercialization of lubricants and epilames, used primarily for watchmaking applications. In 2011, Moebius created additional jobs in order to respond more quickly and efficiently to the growing and increasingly sophisticated needs of its clients.

To guarantee the long-term manufacture of state-of-the-art lubricants designed for watchmaking and microtechnology in Switzerland, Moebius is working in close collaboration with an academic partner on developing an investment program geared towards internalizing and increasing its production capacities.

In order to maintain and increase its technological edge and to be able to offer even higher-performance products for watchmaking in future, Moebius has implemented a strategy rooted in innovation, based on developments in partnership with the Asulab division and well-known university institutes.

### CDNP

#### (CENTER OF DEVELOPMENT FOR NEW PRODUCTS)

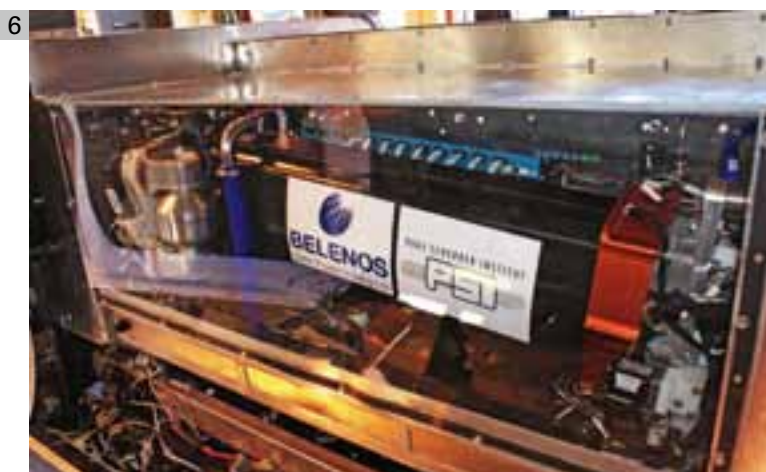
CDNP develops models for the Swatch Group brands and enjoys the benefit of great experience in the field of watch casing that fulfils even the wildest dreams. Complete mastery of technical questions and a skill level that is renowned in the area of aesthetics remain the keynotes of the original solutions proposed by CDNP. It thus contributes to meeting many technological challenges, mainly through close collaboration between the R&D teams and the Swatch Group production centers.

Modern machining methods enable the execution of these developments. Prototypes are of an irreproachable quality, regardless of the materials used. Production tools are also produced by the CNC machine park that is linked to a state-of-the-art CAD network.

A secure CNC machining center also makes it possible to work on precious metals. The development of mock-ups and models in synthetic resins using rapid prototyping is still part of the aesthetic approach preferred by the brands. In this respect, a "3D printer" makes it possible to obtain soft polyamide straps, whereas prototypes of rubber straps in different colors can be produced thanks to a polymer stream installation.

Educational films using animated computer-generated images were once again made in 2011. These are very useful as they explain the various functions of watch movements and serve as instruction manuals and enhance new designs. The use of computer graphics also enables implementation plans and realistic illustrations for the brands' future boutiques, notably Swatch and Certina. In this respect, the software installed in 2010 to produce computer-generated images in real time has been an invaluable help, as it offers the possibility of an instant viewing of various designs to the brand product managers. Another important activity for CDNP designers in 2011 was the decoration of watch movement parts. Technical specifications for external watch parts, according to ISO







**CDNP**
**I · C · B**  
 INGENIEURS CONSEILS EN BREVETS

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and NIHS criteria, were uploaded to the Intranet and placed at the disposal of Swatch Group's quality and component manufacturing departments. The working out, the follow-up and the adaptation of these norms represent an important task for the CDNP specialists. CDNP's technicians continue to advise brands and production companies in packaging problems, in accordance with ecological and economic criteria.

The close ties between CDNP and Asulab have led to the use of new materials and to continued investigation into brand new technologies. Collaboration with certain Swatch Group production companies also makes it possible to test and evaluate future production methods. Furthermore, the filing of several patent applications in 2011 has expanded CDNP's portfolio in the realm of watch exteriors.

## BELENOS CLEAN POWER

Belenos Clean Power has made steady progress in all of its different research and development areas since its inception. 2011 represented a landmark for Nicolas G. Hayek's initiative because the whole mobility power train could be assembled, tested and analyzed on the roads. By mid-August, the project team presented its first fuel-cell car prototype to the public. The vehicle was equipped with the latest fuel-cell system developed at the Paul Scherrer Institute (PSI) in Villigen (AG) and runs with oxygen and hydrogen, two gases resulting from a water electrolysis process powered by solar energy.

The prototype car will be field-tested on the roads of Switzerland for at least a year, providing valuable insights on reliability and performance of the deployed technologies. Although industrialization of the innovative fuel-cell system delivering up to 1 watt per square centimeter is not imminent, the presented solution offers a power level comparable to regular car engines. With sufficient gas reserve, the autonomy of the prototype could range up to 500 kilometers.

At the other end of the energy chain, Belenos still relies on the idea of domestic photovoltaic energy production. While further progress remains to be made, especially on the electrolysis system, the Greenpower project (funded by the Swiss National Program Nano-Tera) produced promising initial results:

- A first generation of a high-pressure hydrogen (H<sub>2</sub>) storage vessels (1 liter, 100 bar) was designed and a demonstrator was produced using a cost-effective injection process.
- A first prototype of a graphical user interface for a domestic photovoltaic installation is available, allowing the owner to interact with the energy management system and monitor the evolution of energy fluxes from home.

The necessary algorithms for renewable energy forecast and optimization are under development taking into account the cost and the users' need for electric mobility.

Belenos' research and development effort to provide solar energy storage solutions is not limited to the hydrogen path. Focusing on battery technology as well, secondary storage prototypes based on innovative high capacity and high power material have been assembled and tested by Renata. Furthermore, by the end of 2011, Renata had started to install a small automated battery production line for prototype series.

## ICB INGÉNIEURS CONSEILS EN BREVETS

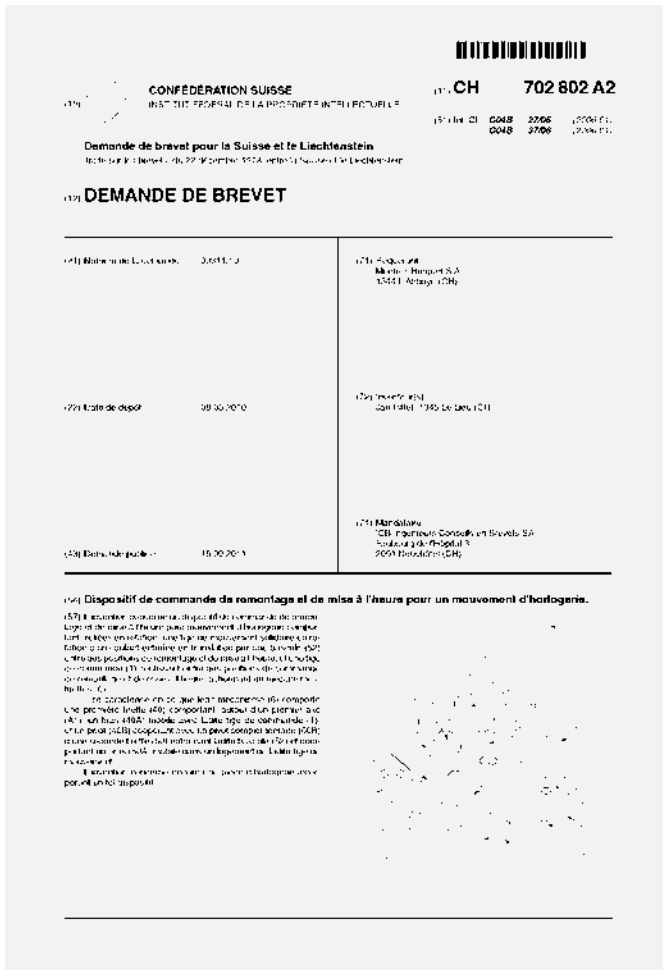
The essential missions of ICB Ingénieurs Conseils en Brevets (Swatch Group's own patent attorney firm) are the protection of Swatch Group's technical innovations, the enhanced valuation of acquired technological know-how, market intelligence and the fight against counterfeits.

In 2011, ICB continued its efforts to identify technical innovations in the various research and development companies and entities of Swatch Group, in order to ensure optimal protection of its technological assets. Activities relating to the filing of new patent applications for recent developments from the companies belonging to the world's largest watchmaking group increased further. This is the result of an efficient synergy maintained and developed among the engineering and research teams from the different Swatch Group companies. In 2011, this collaboration was once again particularly important, not only in the watchmaking domain, but also in Swatch Group's non-watchmaking activities.

Substantial efforts were made to support the Swatch Group brands in their strategy to penetrate international markets. With this in mind, financial investments to obtain protection for their new products abroad continued in a targeted manner, so as to cover the main markets and production sites.

In collaboration with Swatch Group's legal department, ICB continued to support the various Swatch Group companies and departments, defending their rights each time that this was necessary, no matter where or under what circumstances.

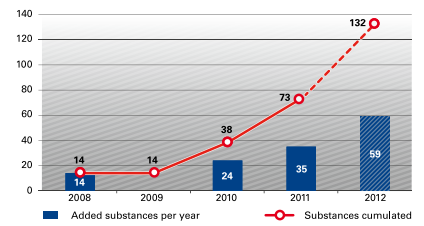
Finally, in 2011, ICB management maintained its strategy of controlling its operating costs. It also focused on the stabilization of operational expenses relating to the maintenance and acquisition of patent rights. This meant that ICB's yearly financial results were higher than its 2011 budget forecasts.



7



REACH evolution of substances



- REACH CE 1907/2006 regulation: a rapid increase in the number of risky chemical substances – of which there were 35 more in 2011 – obliges the Swatch Group companies to make constant adjustments within the context of product risk management;
- The enforcement of the prohibition on mercury button batteries in the states of Connecticut, Maine and Rhode Island (USA), postponed for several months;
- IATA regulations (52nd edition, 2011) on the transport of lithium batteries;
- Directive 2002/95/CE, RoHS: update (2011/95/UE) regarding heavy metals;
- Directive 2009/48/CE, toy security: limits on the migration of 20 chemical substances, limits on phthalates, prohibition of 55 fragrance substances;
- Regulation 494/2011/UE limiting the presence of cadmium to 100 ppm per homogenous part in watches and jewelry;
- GB Norm 11887-2008 on indications on the marking of precious metal articles;
- EN Norm 1811:2011 on the release of nickel in products in contact with the skin.

**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 aim is to guarantee that these products comply with legal and environmental requirements by providing Swatch Group companies with the necessary information and controls that 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, notably those linked to chemical substances, represents a technical and logistical challenge for Swatch Group and its supply chain. To ensure products’ safety and compliance with legislation, SGQM uses the following systematic approach: it monitors laws on chemical substances, analyzes product- and substance-related risks, selects and adapts procedures for approval testing, updates technical specifications for materials and components, informs Swatch Group’s companies of requirements, and performs compliance tests and audits of supplier processes and products. The main laws that required specific action from SGQM in 2011 were as follows:

**Continuous improvement**

**Threading:** Studies on the geometries, tolerance and control of miniature watchmaking threads have been continued. The Swatch Group technical specifications have been made available to the Federation of the Swiss Watch Industry (FH), whose aim is a complete revision of Swiss norm NIHS 06-02.

**O-Ring Joints:** a new technical specification regarding O-Ring joints – widely used in watches – was developed, clarifying geometries and tolerances, as well as materials and their field of application.

**Material innovations:** In collaboration with Swatch Group brands and external companies, SGQM’s specialists in synthetic materials have developed innovative solutions for watch straps.

**ISO TC 114:** Under the auspices of the Federation of the Swiss Watch Industry, SGQM has taken on the presidency of the sub-committee responsible for revising the international ISO 1413:1984 norm regarding shock resistant watches.

**DigitalEurope:** In 2011, Swatch Group joined DigitalEurope, the association of manufacturers of electronic products, where it is represented by the SGQM and Asulab.

**Quality Assurance and Compliance**

SGQM audited several external laboratories on their capacity to perform chemical analyses that meet precise requirements, with the aim of selecting and officially approving 17 according to the material, components and substances involved.







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## SWATCH GROUP SERVICES

### Swatch Group Logistics Division (SGL)

**Distribution:** Although production was significantly increased in 2011, demand for the Swatch Group brands' products exceeded supply, even reaching a new record. In this context, the European Distribution Center (EDC) again saw an increase in the number of products shipped. The focus on efficiency improvements resulted in a double-digit transportation cost reduction per unit shipped. EDC was also able to reflect the savings generated by the lower euro against the Swiss franc. Additional focus was placed on strengthening its own distribution network, and on the automatic replenishment of products sold. Logistics and the IT teams were combined into a single unit, which contributed to increased flexibility during high workload periods, enabling further optimization of processes while integrating new markets and products.

**Logistics:** In 2011, a significant step forward was taken with the start of a project at Swatch Group US for the replenishment of the Swatch corporate stores. This points-of-sale restocking solution will maximize sales while optimizing inventory at both store and distribution center levels. It also provides instant access to Swatch US boutique sales data, enabling the brand to react more quickly to ever-changing world market demand.

2011 also saw a focus on the Chinese market and the start of several initiatives there including the automatic collection of sell-through data, improved and full visibility of retail backorders, inventory separation between central warehouse and corporate stores as well as a target stock matrix based on a review of product categorization and replenishment methodologies by brand.

Finally, some efficient new functionalities were introduced within LIROS (Logistic, Information and Replenishment Ordering System) to facilitate the ordering process in the countries and to improve the inventory visibility within the corporate stores.

**Commercial Applications:** Developments were initiated within the Logistics and Distribution teams to further improve time-to-market deadlines. Through the creation of Commercial Services, Swatch Group Logistics was able to bring together the needs of the various countries and brands, and hence to prioritize project developments, avoid wasting IT and Logistics energies and instead focus on main developments. One in particular was a sales tool designed for market representatives and serving to integrate live data on inventory availability via a mobile platform.

### Swatch Group IT Services Division

At the start of 2011, Swatch Group IT Services Division concentrated its efforts on the successful integration of the Swatch Group Hong Kong subsidiary into the Swatch Group global distribution platform. Later in the year, the Hong Kong system was expanded and enriched with the new customer service system, and then with a specific point-of-sales customer service system which was integrated in the Swatch Group stores in Hong Kong. As a result of this new development, there was, for the first time, a seamless flow of information from the distribution company down to the stores, offering full visibility in the watch repair chain, thus guaranteeing speedy repairs and enhanced satisfaction among the customers who take their watches to a store for repair.

In Switzerland, Blancpain's production processes were successfully upgraded on a new IT platform and preparations are underway to upgrade the sales and distribution IT systems of the prestigious brand as well. In addition, other organizations like the Swatch Group headquarters and Swatch Group Research and Development worked on systems upgrades to new platforms. Toward the end of the year, an important project was initiated to replace all the reporting and financial consolidation systems. On the technology side, the IT Services Division began laying the foundations for the future Swatch Group Cloud services. During the year, it reached the threshold of more than 10 000 mailboxes handled from the Swatch Group data centers in Switzerland. At the same time, investments were made to set up a complete new computer system infrastructure to support the growth of Swatch Group's business in coming years.

### Corporate Customer Service Division (CCS)

**Schools and Technicians Training Program:** Building on their fundamental mission of fostering excellence, the N.G. Hayek Watchmaking Schools continued on the path of success by recruiting, training and producing high-quality watchmakers qualified to work on increasingly sophisticated products. Collectively, the watchmaking schools continue to prepare more professionals for a fascinating and rewarding career in the field of watchmaking. Harmonizing skill-to-task resource allocation, the Swatch Group Corporate Customer Service (CCS), in partnership with Omega, reinforced the Swatch Group customer service watchmakers' skills matrix with the introduction of a new certified technician training program. The latter enables customer service to hire and train individuals gifted in logic and dexterity, and who are thus suited to perform basic technical interventions on timepieces.

**Swatch Group Hong Kong and other subsidiaries:** 2011 was an eventful year for customer service in Hong Kong with the organization witnessing a successful completion of a multi-faceted project designed to streamline and consolidate its service network. Partnering with Swatch Group Hong Kong in this endeavor, the CCS enabled the comprehensive reengineering of the customer service



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processes, coupled with the implementation of powerful management software and the integration of Omega's flagship stores' customer service operations into a single service network. Recognizing the promising potential and growing needs of the Indian market, the CCS collaborated with Swatch Group India in setting up a new customer service facility in New Delhi. In Australia, Swatch Group had its Melbourne customer service facility redesigned and its operations aligned to corporate standards. Meanwhile in China, a fifth customer service site was inaugurated in Chengdu and the Customer Service Competence Center in Shanghai is being expanded. As for the Nordic countries' customer service organizations, the distribution of spare parts is now centralized in Sweden.

**Selective spare parts distribution (SSPD):** The concept of the SSPD scheme to enhance the quality of the customer service network has been continued and has already been implemented for the most prestigious brands at the European level. In the next step, it will be applied to the other Swatch Group brands.

## Swatch Group Immeubles

### Rental Sector

Swatch Group Immeubles' rental sector was characterized in 2011 by intense activity in the management of a large rental base consisting of more than 5200 rental or farming properties, mainly in the cantons of Bern, Jura, Neuchâtel, Solothurn and Vaud. Following its strategic reorganization and the decision not to manage contracts outside Swatch Group, the company today exclusively manages real estate that is part of the Swatch Group Pension Fund and the Fondation d'Ebauches SA as well as other employer pension funds and several other affiliated companies. This focus of its activities was also reinforced by relocating its employees to the premises in Neuchâtel. Rental management activities include close monitoring of modifications and renovations, as well as brokerage mandates conducted by the rental sector of Swatch Group Immeubles on behalf of its clients. The company intends to continue the advisory, follow-up and implementation functions that it performs in favor of its clients for all real estate questions and business.

### Industrial and Retail Sector

The industrial and retail sector of Swatch Group Immeubles was marked in 2011 by extensive activities with the Swatch Group companies, both in Switzerland and abroad.

The process of modernization and renovation of the real estate properties that began several years ago and also involved infrastructure improvements undertaken with the various companies – Longines in St-Imier (BE), Nivarox-FAR in Fontaines (NE), Swatch Group Services in Biel/Bienne, Tissot in Le Locle (NE) – as well as with a number of other sister companies, was pursued. This work is part of a policy of improving workplace safety, security and the longevity of production machinery, of optimizing and verticalizing

production flows, of improving technical facilities to promote increased production and also, as part of a broader sustainable development vision, of reducing fossil-fuel and electrical-power consumption.

On Tissot's site in Le Locle, the construction of an entirely automated logistics warehouse and the complete renovation of adjacent areas were completed during the first semester in 2011. This work ensures the growth of the brand for the next decade. Various projects for large-scale industrial buildings have been undertaken for ETA at Boncourt (JU), as well as in Biel/Bienne for Omega, Swatch and Mido. The Swatch Group's Pension Fund has mandated Swatch Group Immeubles to coordinate and supervise the construction of 97 apartments in Bern-Brünnen. Acquired from a company called Energizer, a site in La Chaux-de-Fonds (NE) will also be used for the development of an industrial park that will accommodate several Swatch Group companies.

Beyond Swiss borders, Swatch Group Immeubles played a noteworthy collaborative role in the extension and relocation of Swatch Group Australia in Melbourne, Tech-Airport in Paris, Swatch Group China in Chengdu, Swatch Group Italy in Milan, as well as the Customer Service Competence Center in Shanghai and After-Sales Service in Chengdu. In addition, Swatch Group Immeubles undertook advisory activities, a feasibility study and design development for various Swatch Group companies and brands, and coordinated the participation of the latter at Baselworld 2011, as it does every year.

Finally, Swatch Group Immeubles specialists have very actively contributed to developing and renewing the vast network of boutiques, working with Breguet in Gstaad (BE), Interlaken (BE), Seoul and Vienna; Blancpain in Interlaken, Seoul and Shanghai; Omega in Moscow, Sochi and Venice; and Swatch with its mega-store in Paris. It also helped set up Tourbillon boutiques in Moscow and St Petersburg, as well as Hour Passion shops in the Beijing, Changsha and Congqing (China), Dusseldorf, Nice and Venice airports, in addition to Happy Hour boutiques in Basel, Emmen (LU), Lucerne, Zurich and Moscow.

# SWATCH GROUP IN THE WORLD







**SWISS MARKET**

In 2011, the Swatch Group brands enjoyed a productive year filled with events in the Swiss market. The year was also marked by the establishment of an exclusive partnership signed between Swatch Group and Swiss retailer, Manor. This agreement incorporates the use of watch sales areas in ten Manor outlets, under the direct management of the Swatch Group retail entity, for the Tissot, Balmain, Certina, ck watch & jewelry and Swatch brands. Both educational and interactive, the exhibition on the theme of 10 Hz frequency at the Cité du Temps in Geneva was designed to support the launch of the Breguet Type XXII. The Swiss National Museum hosted a retrospective on the life and work of Abraham-Louis Breguet at the Château de Prangins and at the Zurich Landesmuseum, with more than 175 antique items from Breguet collections, the Louvre and the Royal Collection of London. A third Breguet boutique in Switzerland was inaugurated in Gstaad, incorporating the evolution of the design of the brand's own-name stores. Despite the strength of the Swiss franc, Blancpain sales soared in tourist areas such as Zermatt, Interlaken, Zurich and Lucerne. Glashütte Original considerably strengthened its presence, and its partnership with the Tourbillon boutique network provided excellent results in terms of both visibility and sales. Now present in Zermatt, Interlaken and Lucerne, Jaquet Droz's sports interpretations of the Grande Seconde SW and Grande Seconde Quantième in stainless steel met with great success, capitalizing on the distinctive design of this classic, contemporary, urban watch. For Omega, 2011 was marked by golf, athletics and bobsled events, and by travelling events aimed at launching the Ladymatic, as well as entertainment targeting journalists. The brand also announced its active participation in the development of Monobob, a fast, dynamic new winter sport introduced in St. Moritz.

Longines strengthened its position with prestigious sports partnerships. Present at downhill skiing competitions in Adelboden and Wengen for the tenth consecutive time, the brand was official timekeeper for the CSIO Suisse in St. Gallen, and erected a giant watch in Lausanne marking the countdown to the 2011 World Gymnaestrada. Rado successfully introduced its Rado True Thinline to the Swiss market. The Rado Star Prize Switzerland was launched parallel to the Rado Star Prize China, giving young prize winners the opportunity to enjoy a cultural and professional exchange. Emphasizing its connection to the world of design, Rado once again participated as official partner of the Design Preis Schweiz. The new Union Glashütte collections presented at Baselworld were received with great interest. Steadily gaining new market share, Tissot strengthened its presence in Lucerne, Emmen, Zurich and Basel. The brand's partnership with the Jungfrau Railways was a huge success and sales of the collection created for the occasion surpassed all expectations. Switzerland remains Europe's number one market for Balmain which is strengthening its position by broadening its selective distribution. For the seventh consecutive time, the brand was the official watch for Miss Switzerland. The Swiss market remains a key showcase for Certina, whose business is developing nicely, particularly in tourist areas, and which is strengthening its position even more through a considerable number of promotions. The Mido collections launched in 2011 were particularly well received in the Swiss market. Hamilton's colors were flown high in the sky by six Swiss pilots in their acrobatic plane at national and international air shows. A new peak was achieved with the presentation of the new Khaki Flight Timer pilot's watch in Zermatt, created with the prestigious rescue and Alpine transport company, Air Zermatt. ck watch & jewelry enjoyed stable growth, both in watches and jewelry. The great welcome given to the ck graceful watch particularly explains this highly positive result. Emphasizing its presence in the principal Manor shops, the brand has strengthened its visibility by serving for the second time as one of the main partners of the Elite Model Look competition.





Continuing its retail strategy, Swatch renovated its boutiques in Geneva, Lausanne and Zurich, with inaugurations attended by journalists, clients and personalities alike. The brand once again participated in the Sneakerness event in Zurich, with the Swatch Perfect Match Contest, a competition which consists of combining watches and sneakers. For the second time, Swatch was the official partner to ArtYou Basel, an urban art event during which the brand launched its Kidrobot for Swatch collection. Flik Flak strengthened its presence at points of sale with new display stands and the brand was integrated into the new Swatch Group multi-brand boutiques in shopping centers across Switzerland's main cities.

### SWATCH GROUP GERMANY



Swatch Group Germany's remarkable year was reflected by double-digit growth and a selective distribution strategy that enhanced the quality of its entire network. With strengthened visibility Breguet underscored the importance of *haute horlogerie* in Germany. Blancpain celebrated its official partnership with the ADAC GT Masters and Marc A. Hayek's place atop its amateur rankings. Glashütte Original invited customers to Hamburg and Munich for the launch of the Seventies Panorama Date. Jaquet Droz raised brand familiarity. Omega presented a feminine take on time at its Ladymatic Exhibition in Berlin's KaDeWe. Longines gained market share and premiered the Longines Grosser Preis von Baden. Rado achieved impressive results with optimized distribution, while Union Glashütte expanded its commitment to the Sachsen Classic Rally and drew attention with its other events. The Tissot Roadshow Truck supplemented the brand's presence at the MotoGP at the Sachsenring; journalists tested the Tissot Sailing-Touch on a sailing trip off Heiligendamm. Certina and Mido were highly visible at points of sale and sparked interest with special decorations and media presence. Hamilton found new fans at the AERO Aviators Festival and the Tannkosh Fly-in; the Hamilton mockup plane toured Germany. ck watch & jewelry opened ten

shop-in-shops supported by extensive campaigns. Swatch opened stores in Berlin and Munich, and created color and action with Swatch Zebra Day. A Disney graphic artist thrilled visitors at the launch of the new Flik Flak models.

### SWATCH GROUP AUSTRIA

Swatch Group Austria ended 2011 wreathed in success. In light of Breguet's exceptional development, its boutique in Vienna was renovated and enlarged. Micro-events and special events were organized in the Tourbillon boutique in Kitzbühel. Glashütte Original considerably increased its market share and focused on its Seventies collection launched in Austria during a press breakfast. Omega focused on the launch of the Ladymatic, organizing product presentations for journalists and exclusive events in the context of its partnerships, as well as special decorations, direct mail drops and media activities, including the Ladymatic television campaign before Christmas. Longines also conquered significant new market share and focused on its distribution network, concentrating on reinforcing the quality of its distribution and optimal product presentation. The 2011 Rado Young Design Prize allowed young creators to realize their projects in the Vienna Rado boutique. Considered the most visionary, Delphine Rumo and Greta Hauer's project, entitled "WANN DENN", won the jury's heart. Union Glashütte achieved pleasing growth and found new partners in key locations. Tissot was present in spring, summer and autumn thanks to poster campaigns whose results were considered extremely positive and which translated into a record year for the brand. ck watch & jewelry partnered the Elite Model Contest. Broadening its client base, Certina increased its turnover and market share. In 2011, Swatch continued its retail development and all its centrally located boutiques were adapted in line with the current Ice Dunes 3 concept, enabling the brand to acquire new market share. Flik Flak organized public relations events for its Cars and La Fée Clochette products, which were extremely well-received.







### SWATCH GROUP BELGIUM

In 2011, Swatch Group Belgium once again saw outstanding progress for all its brands, resulting in a record year. Breguet achieved the highest turnover in its history in Belgium, where it became the leading luxury watchmaker. The Blancpain Endurance Series races at Spa-Francorchamps provided an unforgettable occasion for Blancpain connoisseurs. Omega presented its Ladymatic and Seamaster Planet Ocean collections at a gala dinner organized for retailers and the press at the prestigious Palais des Colonies in Tervuren. The year proved to be exceptional for Longines, which enhanced the Master Collection and launched the new PrimaLuna. Rado reinforced its position and identity with the introduction of the Rado True Thinline, eagerly awaited by the public. Since July, Brussels Airport has been ticking to Tissot time, with this brand enjoying solid growth on the Belgian market. 2011 was highlighted by the charm of Miss Belgium Justine De Jonckheere, official ambassador for Balmain, thus strengthening the brand's image. Following a record 2010, Certina reached double-digit growth in 2011. Hamilton focused on consolidating its network distribution and on the activities implemented in its points of sale. Concentrating on its presentation, and in particular, special decoration at retailers, ck watch & jewelry continued its excellent growth. The launch of Swatch's animal collection saw "zebras" take over Belgian cities during the highly extravagant Zebra Days. Flik Flak, which remains children's favorite watch, partnered the launch of a new film with local super-heroine Mega Mindy.



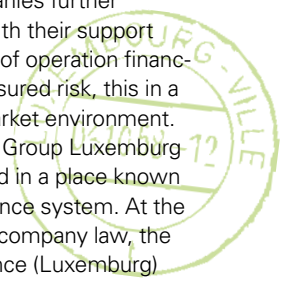
### SWATCH GROUP NETHERLANDS

Swatch Group Netherlands had an excellent year and supported its strong market position with numerous events. In April the first multi-brand shop-in-shop store in the Bijenkorf department store in Amsterdam was opened; this development strategy will be pursued. Omega continued to strengthen its position with a focus on qualitative improvement of points of sale. Longines delivered excellent results thanks to selective distribution. Rado successfully introduced The Rado True Thinline ceramic watch. Tissot continued its strong partnership with MotoGP, highlighted at the Assen race. Balmain enhanced its position with the exclusive Classica Chrono Lady collection. Certina organized a successful training day for over 70 dealers. Hamilton focused on consolidating its dealer network and promotional activities at points of sale. ck watch & jewelry concentrated on its distribution network with a tailor-made window campaign. Swatch let the Dutch "sneaker heads" experience the perfect match between a Swatch and a sneaker at Sneakerness Amsterdam.



### SWATCH GROUP LUXEMBURG

During 2011, Swatch Group Luxembourg's companies further assisted Swatch Group's international growth with their support activities by providing their services in the areas of operation financing, liquidity management and optimization of insured risk, this in a highly unstable and volatile money and stock market environment. Located in the financial heart of Europe, Swatch Group Luxembourg benefits from the vast range of services provided in a place known internationally for its efficient banking and insurance system. At the start of 2011, due to changes in the Luxembourg company law, the initial holding company, The Swatch Group Finance (Luxembourg) S.A., was transformed into a fixed-capital investment company carrying a specialized investment fund (SICAF-SIF).







**SWATCH GROUP  
FRANCE**

In 2011, Swatch Group France’s brands consolidated their positions. Breguet had an excellent year and continued its cultural commitments with its patronage of the Département des Objets d’Art at the Louvre Museum. Blancpain achieved a record year in all its distribution channels, thanks particularly to new locations in the Galeries Lafayette and Printemps department stores. Glashütte Original continued its excellent upward progress, with a rapidly growing turnover and very satisfactory results emanating from its new Parisian boutique. In a drive to increase brand awareness, Jaquet Droz exhibited photographs by J.M. Berts in its boutique in Paris, which, thanks to very good press coverage of the event, saw an increase in visits. Backed by dynamic marketing and innovative support, Omega noted a high increase in turnover and market share, with its boutiques spearheading its distribution. Longines also enjoyed exceptionally strong growth and confirmed its commitment to sports by becoming official partner of the Chantilly (Prix de Diane Longines), Deauville and Longchamp racecourses. The brand also renewed its partnership with the French Open (Roland Garros) tennis tournament. Working to enhance brand awareness among a broad audience through a multimedia plan and television campaign, Rado is establishing itself on the French market as a contemporary designer brand. Attracting a trendy thirty-something clientele through its double commitment to

French cinema and aerobatic aviation, Hamilton affirmed its leadership in the entry-level luxury segment. Tissot continued its five years of uninterrupted growth and capitalized on its partnership with Tony Parker, regularly collaborating with the French basketball star in the context of their latest news. ck watch & jewelry focused on its launches, including highlights such as presentations of the ck glow and ck exchange models, as well as ck enlace for Christmas, a collection that was very well received. With its successful product launches and communication campaigns, Swatch completed the adaptation of its flagship store on the Champs-Élysées in accordance with its new Organic concept which embodies its strategy of moving its distribution upmarket. Flik Flak inaugurated its e-commerce site and considerably developed its sales, reinforcing its leadership position in the field of children’s watches.





SWATCH GROUP  
SPAIN

Despite uncertainty in the Spanish economy, Swatch Group Spain enjoyed double-digit growth, gaining market share in all segments and reinforcing its retail strategy. Breguet maintained its leadership through top level events like the press trip to the Swiss National Museum to visit the retrospective devoted to the brand. Blancpain demonstrated its exclusivity at two important Lamborghini Blancpain Super Trofeo races in Spain. The participation of Glashütte Original in the Berlinale Film Festival was valued by the Spanish market. Fashion and lifestyle journalists were invited to editorial breakfasts for the presentation of Tiffany & Co. watches. Omega focused its activities on the new Planet Ocean, promoted by the event in Capri, in Italy and a local presentation in Ibiza. Longines celebrated the Centenary of the Club de Polo Barcelona during the CSIO Championship; the Andre Agassi Foundation, in cooperation with Longines, was also active in Spain. Rado welcomed the year with an international presentation of the new collection. Tissot invited customers and journalists to four MotoGP championships in Spain. Certina introduced the DS Multi-8 to the press in a "Swiss" atmosphere. Hamilton was on hand for the nomination of the Spanish nominee for an Academy Award and enjoyed great media presence. ck watch & jewelry held its international presentation in Barcelona, premiering the new collection at Ricardo Bofill's studio. The "gold" collection was launched late in the year to great success. Swatch maintained its relationship with artists and arranged a special launch of the Kidrobot collection with Tara McPherson.

SWATCH GROUP  
ITALY

In 2011 Swatch Group Italy celebrated its 25th anniversary and moved its head office to a historic building in Milan. Breguet, in partnership with Orologeria Pisa, displayed its new models at high-profile events. Blancpain once again sponsored the Lamborghini Blancpain Super Trofeo. Glashütte Original's great success was buoyed by its sponsorship of the Berlinale Film Festival. Jaquet Droz consolidated its position and enjoyed a solid growth in turnover. In July, Tiffany & Co. presented its new watch collection in Paratico in Lombardia. Omega's record year was marked by the international launch of Planet Ocean collection in Capri and the opening of its Venice boutique. Longines had strong partnerships with Italy's top horseracing events. Rado enjoyed great visibility at the points of sale level. Tissot consolidated its presence with its first Italian boutique and underscored its leading role in touch-driven technology. Hamilton's Women's Time film competition was a media hit. ck watch & jewelry increased market share through advertising, successful collections and solid trade partnerships. Consolidating its link to fashion and art, Swatch was partner of the 54th international edition of the Venice Biennale. The launch of the Swatch Touch and the opening of the Ice Dunes store in Milan generated enthusiastic response. Flik Flak continued its sponsorship of the Aquafan summer park and presented new models at an event in Sicily. The first Italian Hour Passion boutique at Marco Polo Airport in Venice was an immediate and remarkable success.







**SWATCH GROUP  
UNITED KINGDOM**

Swatch Group United Kingdom enjoyed an excellent year, increasing market share and continuing to develop its retail strategy across all brands. New boutiques were launched by Omega and Breguet, while ck watch & jewelry and Tissot moved into their own retail space unveiling the first joint kiosk partnership in a prime retail location. Breguet opened its second UK boutique in Harrods and demonstrated its rich heritage hosting a high jewelry and watch event focusing on the art of cameo engraving, impressing both media and VIP guests. Press and retailers enjoyed the thrill of Blancpain's motor sport association at the debut of the Blancpain Endurance Series at Silverstone as the brand continued to strengthen its position in the UK. Omega prepared for an Olympic year, kicking off with the spectacular unveiling of the Olympic Countdown Clock in historic Trafalgar Square with Lord Sebastian Coe and London Mayor Boris Johnson. Four new boutiques were opened across the UK including the largest in Europe at the gateway to the Olympic Park. Continuing its passion for equestrian sports, Longines was once again timekeeper and partner of the prestigious Royal International Horse Show at Hickstead, and returned to the glamour and elegance of Royal Ascot as Official timekeeper for the fifth consecutive year, attended by Ambassador Aaron Kwok. Highlighting its innovative approach to watchmaking, Rado invited retailers to experience the creation of its high-tech ceramic products at Comadur, and a successful launch of the Rado True Thinline resulted in strong media coverage. Reinforcing its

strong sporting ties, Tissot partnered with *Men's Health* magazine on their Survival of the Fittest competition putting competitors through their paces across ten kilometers with grueling obstacles at different locations around the UK. Certina celebrated its return to the UK after ten years with a successful launch event and assured an optimistic start as retail doors increase. Hamilton launched its UK official partnership with London-based Harlequins rugby club. It was a busy year of events for Swatch as they partnered with the MTV European Music Awards in Belfast, and hosted the international launch of the 'Eyescape' collaboration with iconic photographer Rankin. The launch of the Kidrobot collection reconfirmed Swatch as an innovative, fun and collectable brand with both consumers and media. Flik Flak once again proved it was the leading children's brand thanks to licensing agreements with Cars 2 and Harry Potter.







**SWATCH GROUP IRELAND**

Swatch Group Ireland enjoyed a positive trading year in 2011 with a double-digit growth against a market average of -5% in an uncertain economy. This positive trend was experienced across all brand categories with considerable gains in market share across luxury, prestige and mid-market categories. Travel retail distribution was further strengthened with the opening in March of a Swatch store in Dublin Airport Terminal 1 supported by Tech-Airport, increasing Swatch travel retail sales in Ireland considerably. Omega strengthened its presence in the market launching the first of a program of planned shop-in-shop developments on Dublin's Grafton Street. The launch of Certina in Ireland in October has reaffirmed the strength of Swatch Group in the mid-market level. Certina and Tissot joined Swatch and ck watch & jewelry in the creation of a multi-brand concession with Arnotts, the largest department store in Dublin.

**SWATCH GROUP NORDIC**

Swatch Group Nordic **Denmark** celebrated another record-breaking year in sales. In autumn, Omega launched the new Planet Ocean series in Tivoli, Copenhagen's world-famous amusement park. Media contacts, retailers and VIPs were invited for the unveiling of the exquisite new models. Thanks to the diversity of its collection, Longines managed to improve turnaround time for its retailers with tremendous success. Rado and Swatch again moved forward with their design-oriented collections. Tissot, Certina and ck watch & jewelry strengthened both sales and retailer partnerships – results of the significant impact of their "products tour". The year's highlight in Denmark was the cycling World Championships where Tissot played a major role in the country's largest-ever sporting event. A huge number of spectators cheered for the athletes at Amalienborg Palace and around Copenhagen.



Swatch Group Nordic **Finland** had a successful year; all brands increased market share. The new Omega Ladymatic collection was well received. Longines continued to increase its brand awareness while Rado had great success with its Rado True Thinline. Tissot's Visodate Heritage models were especially appreciated, and Certina's DS Action Diver was a particularly successful collection. Thanks to the strength of its models and outstanding quality, ck watch & jewelry gained market share and visibility. Swatch had solid growth with attractive new products like the New Gent collection and Swatch Touch.

Swatch Group Nordic **Norway** enjoyed positive growth in 2011. Omega continued to optimize key points of sale and its training programs for retailers. Longines had its all-time best year and extended its cooperation with Norwegian alpine-hero Aksel Lund Svindal. Tissot benefited from great models with increased turnover. Certina's strong year was anchored by new brand ambassador, biathlete Ole Einar Bjørndalen. The launch of his limited edition DS Podium GMT was highlighted by a press event in September. Swatch's 11th Hour was well received, buoyed by the Swatch FIVB Beach Volleyball World Tour in Stavanger.

2011 was an outstanding year for Swatch Group Nordic **Sweden**. Omega remained one of the strongest prestige watch brands in Sweden and continued to gain market share; the Ladymatic and the new Planet Ocean were introduced successfully. Following the warmly received launch of Rado Centrix, Rado is set to present the Rado True Thinline. Longines continuously gained market share and the Falsterbo Horse Show it sponsored in July exceeded expectations. Tissot had a good year and remained committed to fencing. The Couturier Lady collection was warmly received. Certina maintained its position as the biggest brand in Sweden's mid-price segment. It strengthened its image through extensive public relations and sponsorship activities, especially in sports. ck watch & jewelry continued to show good results thanks to its selection of points of sale and a strong collection. Swatch witnessed excellent development of the New Gent and Swatch Touch collections.





**SWATCH GROUP  
GREECE**

To cope with economic uncertainty, Swatch Group Greece implemented a strategy of maintaining its stable, healthy domestic retail network and reinforcing efforts in the travel retail and tourist markets. It sustained its position as one of the two key players domestically while taking advantage of increased tourism to play a prominent role in that market. Omega capitalized on brand loyalty with an impressive two-day training program on technical modules and details of current and new products. Longines enjoyed double-digit growth and increased market share with extensive points of sale training, especially in the tourist market and at duty-free shops, and on high-profile advertising. Rado successfully launched the Rado Centrix collection and continued its focus on Cyprus by investing in direct marketing activities and retailer training. It maintained its leading position in tourist points of sale and in duty-free outlets. Tissot's positive performance resulted from public relations activities and media coverage, including trips to Baselworld and Paris. Hamilton raised brand awareness with store promotions, advertising and indirect publicity. ck watch & jewelry noted a significant increase in sales resulting from a successful mix of activities such as consumer promotions, increase of shop-in-shops and extensive media coverage. Swatch maintained the performance of its healthy and dynamic domestic retail network with major openings in Mykonos and in Athens, while continuing its strategy of extensive advertisement and public relations activities.

**SWATCH GROUP  
POLAND**

Swatch Group Poland enjoyed a healthy growth rate in 2011 following a slight slowdown in 2010. This upturn was broad-based as double-digit growth was achieved by all brands as well as by retail partners in every region of Poland. Optimism will remain the keynote in Poland as important infrastructural investments in the nation's roads, railroads, airports, hotels and football stadiums are completed in advance of the Euro 2012 championships to be held in Poland and the Ukraine. Most of Swatch Group Poland's key accounts came to Basel in 2011 to order novelties; all of them attended a June meeting in Jozefów near Warsaw. The timing of the June meeting was auspicious as sell out accelerated from the summer months onwards in 2011. Poland is developing strongly and many major shopping centers were opened during the year. Sales staff training was emphasized both at new and existing retailers for all brands. During 2011, Omega's Ladymatic launch confirmed the strong potential in Poland for a high-end mechanical watch for women. Longines benefitted from a successful launch of the bicolor DolceVita range. Rado extended its reach in the market with its new Rado Centrix line. Tissot's and Certina's growth resulted from product line enrichments and Polish zloty retail price stability. ck watch & jewelry increased its dominance in the fashion segment. Swatch watches continued to benefit from the huge popularity of the New Gent's expanding range of colors.







## SWATCH GROUP RUSSIA

2011 was a highly positive year for Swatch Group Russia, which once again achieved an increase in turnover with double-digit sales growth.

Despite a difficult economic climate and the absence of growth in Russia, the brands that target primarily the middle class also achieved a strong increase in turnover. This pleasing result was due not only to an increase in the number of points of sale, but also to reinforcement of the quality of distribution, as most of the Swatch Group brands modified their retailer networks.

The inauguration of two Tourbillon boutiques, the first in one of the most prestigious areas in the center of Moscow and the other in St. Petersburg, represented a major step forward in the development of the distribution network of Swatch Group's prestige brands. Among the events which stood out in 2011 was the opening of the first multi-brand Happy Hour shop in Russia, distributing Longines and Rado, as well as medium-range brands and Swatch. Additionally, many brands were involved in intense activity at Sochi, with the aim of developing business with the 2014 Winter Olympic Games in mind. Omega inaugurated its Countdown Clock in the presence of the Minister of Sport for the Russian Federation and the head of the National Olympic Committee. Longines, Rado and some mid-range brands initiated activities in Sochi, where Swatch also opened its first boutique.

Breguet strongly consolidated its position on the Russian market and enlarged its clientele thanks to the inauguration of two boutiques – one in Moscow and the other in Yekaterinburg. The prestige brand also organized high flying events, including several exhibitions of its watches. These took place at the Pavilion Rossi in the heart of the Mikhailovski Gardens during the 15th World Economic Forum in St. Petersburg, as well as at the Theatre of Nations in Moscow, as a prelude to a show with famous Russian comedian, Yevgeny Mironov, offered by Breguet to select guests. These events strongly contributed to reinforcing the brand's image and supporting its connections with history and tradition. Advertising campaigns and public relations activities also supported the growth in sales and consolidation of the brands' positioning on the Russian market. These included a visit to Moscow by Omega ambassador, Cindy Crawford; Longines' partnership with the Kremlin Tennis Cup and the inauguration of the first Longines boutique in Moscow; Tissot's sponsorship of the street basketball championships and the Viatcheslav Tretyak hockey school; Rado's campaign with Russian actress, Renata Litvinova; the regatta bearing Certina colors around Moscow; Hamilton's collaboration with filmmakers and Russian aviators – like the Russian Air Force Berkut fighter pilots – in the form of advertising productions; and lastly, an event organized for the press by ck watch & jewelry in St. Petersburg.







The substantial increase in Swatch sales on the Russian market was also the result of numerous public relations activities. These included an event organized on the occasion of the inauguration of the Swatch boutique in St. Petersburg; the Moscow round of the Grand Slam of the FIVB Beach Volleyball Swatch World Tour watched by 120 000 spectators; the Zebra Days; and advertising campaigns on posters and giant screens in the St. Petersburg underground and Moscow streets. Generally speaking, the activities deployed by the Swatch Group Russia brands contributed to the excellent results in 2011 and once again laid foundations for their future development.



SWATCH GROUP  
UNITED STATES



A passion for the tradition, quality and value of fine Swiss watches in the US led to record sales among all Swatch Group brands – a product not only of focused marketing initiatives but of significant growth in the company-owned retail sector. Breguet, Swatch and notably Omega opened numerous locations. Astronauts from the Gemini and Apollo NASA programs landed at Tourbillon Boutique Las Vegas while Tourbillon Beverly Hills welcomed Breguet to its portfolio. Major events at other locations resulted in tremendous sales.

Breguet’s legacy of cultural patronage was marked by its loan of antique pieces to the Getty Museum’s collection and an unforgettable event for over 300 guests. The brand expanded with boutiques in Miami’s Bal Harbor Shops and the Bellagio in Las Vegas. Blancpain showcased 42 vintage Fifty Fathoms watches that toured the US, allowing visitors to discover the collection and retrace over 50 years of its rich history. A Mod 70’s themed event paid tribute to the decade that inspired new looks in art, design, fashion and technology when Glashütte Original launched the Seventies Panorama Date. Meanwhile Jaquet Droz showcased its latest novelties as sponsor of the 2011 Wired Business Conference for leading entrepreneurs and philanthropists. The expansion of Tiffany & Co. watches was due to the launch of The Tiffany Gallery collection and events with key retailers.

Expansion was the theme for Omega whose retail network grew to over 20 prime locations. With a rich history in sports timekeeping, Omega announced a far-reaching sponsorship agreement with The PGA (Professional Golfers’ Association) of America, bringing Greg Norman to its roster of ambassadors. The Kentucky Derby had its first official timekeeper with Longines, which enjoyed remarkable growth in the US. Other notable events were the Junior Tennis Challenge and the third annual Women Who Make a Difference Awards. Models walked the runway of designer Malan Breton’s Spring – Summer 2012 Fashion Show in New York City wearing Rado timepieces to complete their one-of-a-kind looks. In Chicago, Tissot ambassador Danica Patrick kicked off a race and the launch of her new Limited Edition watch; ambassador





Nicky Hayden and Tissot watches were a huge hit at MotoGP's races in Laguna Seca and Indianapolis. Focus on independent retailers diversified sales for Mido with emphasis on the recently redesigned Multifort and Baroncelli collections. Harrison Ford and Antonio Banderas were among the presenters at the Hamilton Behind the Camera Awards in Los Angeles. The event firmly established Hamilton as "the" Hollywood brand. 2011 was a solid year for ck watch & jewelry. Its watches in particular experienced tremendous growth fueled in part by a strong price – value relationship.

Swatch opened a new flagship store at New York City's historic 666 Fifth Avenue and held several events with the new Kidrobot and Touch collections. Flik Flak continues to push forward as the highest quality watch teaching children to tell time. It also welcomed newly-licensed Disney and Harry Potter designs.

**SWATCH GROUP  
CANADA**

Swatch Group Canada reported another record year in 2011. Breguet, Blancpain, Glashütte Original, Jaquet Droz and Tiffany & Co. watches continued to increase their market share in the prestige sector through selective distribution strategies. Omega achieved a milestone with the opening of its newly expanded boutique in the luxurious Fairmont Hotel Vancouver and strengthened its leadership position in its segment with a strong focus on retail initiatives. Supported by an iconic product, Longines established a new niche in the Canadian market. Customized environments have fortified its presence in Canada. Rado's growth in 2011 was largely due to the introduction of three families into the core assortment, launching a new era for the brand. Tissot held Canada's first-ever Augmented Reality event. Highlighting the Tissot Touch collection, Tissot drew consumers into a virtual world of watches in one of Toronto's busiest shopping districts. Hamilton increased its market share and presence with a special edition Hamilton SnowBirds watch in honor of the Canadian Air Forces. ck watch & jewelry strengthened its reputation as a fashion trendsetter through launches of ck graceful, ck glow and ck dawn. Swatch reinforced its retail presence through a strategic store opening in one of the most affluent shopping malls in Western Canada. The successful launch of Swatch Touch contributed to the year's overall growth.

**SWATCH GROUP  
BRAZIL**

Strong public acceptance of the Baselworld novelties highlighted an excellent year in Brazil. Tissot strengthened its market leadership position and came second among all Swiss watch brands imported into the country in 2011. Enthusiasm for Tissot was confirmed by the positive reaction to its collection at the Feninjer Expo in Sao







Paulo in August. Mido's position improved as it claimed the sixth position in value in the ranking of Swiss watches imported into Brazil. The brand's presence was strengthened in the south and middle-eastern regions of the country.

SWATCH GROUP MEXICO

Swatch Group Mexico experienced a year full of new projects and positive results. Breguet immersed selected media in its world of technological developments. Blancpain prepared the market for its forthcoming brand launch with strong editorial support. Glashütte Original presented its new products to Mexican retailers during Baselworld. Swatch Group Mexico reinforced its partnership with Palacio de Hierro department stores, by opening an Omega Boutique in the city of Guadalajara, as well as a Longines corner and another Omega Boutique in Interlomas, Mexico City. Longines confirmed its commitment to equestrian activities as official timekeeper of the Hipódromo de las Américas for the next three years. In a record year, Rado launched its Rado Centrix collection with brand ambassador Julio Bracho. Tissot showed solid performance through qualitative distribution, efficient product allocation and shop-in-shop initiatives. Mido celebrated the opening of its first boutique in Mexico in partnership with Cristal Joyas, a strategic milestone and the beginning of the development of its retail business. Hamilton continued its aggressive but selective expansion plan in the country, including a new venue in the Mexican Caribbean. ck watch & jewelry became the fashion leader in Mexico, named The Best Fashion Watch of the Year by GQ Magazine. Swatch improved its image at points of sales with the new Edelweiss concept and created an amusing Zebra Day parade in support of the Zebra collection. Flik Flak further expanded its distribution.



SWATCH GROUP PANAMA

Swatch Group performed well in Latin America in 2011. Blancpain continued to grow in South America and its first personalized shop-in-shop opened in Argentina. Jaquet Droz once again communicated a spirit of excellence and its emotional values, developing its distribution network strategically. Omega launched the Ladymatic collection in all major markets; in keeping with the brand's steady growth, Argentina implemented eight Omega spaces with the new design concept and opened an Omega franchise boutique. Longines continued to sponsor major tennis tournaments and exhibitions as well as the social agenda of the must-see Miss Panama 2011 pageant. Rado launched its new Rado Centrix collection in several markets. Tissot achieved excellent results in Colombia with the launch of the first T-Race Limited Edition Colombia. Argentina had another strong year, hosting the 2011 FIBA Americas Championship with Tissot as official timekeeper. Certina also made major strides in Latin America, consolidating its presence in Chile, Argentina and Panama, and adding new markets including Peru and Paraguay. Mido's presence in Latin America was boosted by its new Multifort collection. ck watch & jewelry hosted the first Latin American pre-Baselworld event in Buenos Aires and introduced its current collection to journalists. The first-ever Swatch Skiers Cup competition took place in September in Valle Nevada, Chile, with the world's best free ride skiers competing in a series of showdowns.







**SWATCH GROUP AUSTRALIA**

For Swatch Group Australia, 2011 was again a year of increased brand development activity and a focus on operational excellence. Breguet, Blancpain and Tiffany & Co. watches enhanced their market presence by upgrading presentation in points of sale and increasing public relations and advertising activity. Omega had a strong year both in sales and distribution development, with boutique openings in Sydney and Melbourne. Longines' campaigns spanned print, outdoor and digital media channels; its events generated editorial coverage throughout the year. New distribution points confirmed its status as a leading brand. Rado performed strongly in 2011 with successful new product introductions. It continued to improve its points of sale presence with investment in numerous shop-in-shop fixtures. Tissot strengthened its position in its segment, increasing brand awareness by investing in marketing and sponsorship, shop-in-shops and distribution. It continued to leverage its relationship with premier sporting events. ck watch & jewelry refined its distribution and developed key points of sale with a strong consumer focus, installing a record number of shop-in-shops, reinforcing its presence and providing a full ck watch & jewelry experience. For Swatch and Flik Flak, 2011 was a year of significant marketing activity. Swatch's sponsorship of the Red Bull X-Fighter World Tour Finale and International Zebra Day attracted extensive media coverage. Swatch expanded its presence in points of sale, including shop-in-shop installations in key regions.



**SWATCH GROUP CHINA**

Swatch Group China continued its double-digit growth in 2011. The year's highlight was the opening of The Swatch Art Peace Hotel in Shanghai in November. The subsidiary's head office in Shanghai is now supported by branch offices in Beijing, Shenyang, Guangzhou and Chengdu. The Customer Service Competence Center in Shanghai is the largest Swatch Group watch repair facility in the world. Breguet continued its remarkable growth by extending its strategy of retail development, improving its distribution network and holding emotion-driven events. Blancpain is booming in China and opened two new boutiques in Beijing. Exhibitions presented throughout the country enhanced brand awareness among target consumers and media. Glashütte Original opened five new boutiques in different Chinese cities and impressed consumers with its legacy of craftsmanship. Jaquet Droz expanded its distribution network and presented campaigns around its association with art and culture. Tiffany & Co. watches entered eleven cities with 22 shop-in-shops. Omega maintained its growth momentum in 2011. The flagship store strategy continued to serve as a driving force behind its success. The launch of the new Planet Ocean collection and the Ladymatic expansion enjoyed nationwide acclaim. Longines enjoyed a double-digit sales increase, thanks to the launch of the Column-Wheel Chronograph and the Saint-Imier Collection. With a new marketing campaign to support its collections, Rado had a record year in 2011. As official timekeeper of the SportAccord World Mind Games, Rado celebrated the enormous capability of the human brain.





Tissot continued to expand its distribution in 2011. It coordinated with Xinyu, its distributor in China, to further improve efficiency by consolidating stock and optimizing the rolling system and fulfillment rate. With the synergy of Xinyu, Balmain set up 125 points of sale in 52 cities around the country; events in Beijing and Shanghai enhanced brand awareness. Certina greatly expanded its market coverage in its fourth full year in China, reaching a total of 250 authorized points of sale. Mido increased sales dramatically as consumers became more aware of its products' design qualities and price/performance ratio. Hamilton continued its rapid development in China with expansion to around 250 points of sale in more than 70 cities. A significant number of them were upgraded to high-profile counters with an attractive new design. ck watch & jewelry achieved its new sales target with an exceptional double-digit increase in sales, making China its best market. Road shows and events generated positive media feedback all year.

Swatch changed its distribution from wholesaler to retailer channels while continuing sales development in its existing network. In addition, a succession of launches and high-profile events maintained an impressive media presence. The new Swatch Wangfujing Mega Store reflects the brand's dynamic vitality and is already a Beijing fashion landmark. Flik Flak maintained its momentum in 2011 with a focus on key markets. It also concentrated on raising brand awareness with road shows on Children's Day.







**SWATCH GROUP  
HONG KONG**

Swatch Group Hong Kong continued its high rate of growth in 2011 by focusing on a long-term strategy of retail development, close retailer partnerships and emotional, evocative promotional events. This year, Breguet’s Celebration of Excellence featured the Beethoven Orchester Bonn and cellist Trey Lee. Events at Blancpain’s boutiques included See it for yourself – explore the 2011 Basel Novelties, Ladies Only! and a VIP dinner. Glashütte Original’s Senator Diary launch was held in July; actor Andy On Chi-Kit and actress Race Wong Yuen-Pui modeled the brand’s finest pieces. Jaquet Droz opened its first boutique in Hong Kong on Canton Road; renowned artist Moses Chan officiated at the opening ceremony. The Tiffany & Co. watch collection presented at Basel was previewed at a private event at the brand’s landmark boutique.

Omega opened a new boutique in the DFS Galleria, located in a prime area of Hong Kong. Ambassador Simon Yam unveiled the new Planet Ocean collection; a “mermaid” promoted awareness of oceanic health. Longines held a gala party, featuring ambassador Chi Ling Lin, to showcase DolceVita’s “happy life spirit”. The brand opened its second corporate store in Tsim Sha Tsui. With Unlimited Spirit as its motto, Rado has supported talented artists with the Rado Star Prize Hong Kong since 2010, enjoying broad-based support from the design community. A regional launch event was held to celebrate the birth of the world’s thinnest ceramic watch, the groundbreaking Rado True Thinline.

In June and August, Tissot opened its eighth and ninth stores in Causeway Bay and Mong Kok respectively. Tissot ambassador Huang Xiaoming attended the opening ceremony in Mong Kok, where the latest Tissot Seastar 1000 collection was launched. Certina used outdoor billboards at Tsim Sha Tsui & Mong Kok, a 30-second TV commercial and tram advertising for the first time, with impressive results. 2011 was a milestone for Mido, with its

first boutique in Hong Kong. Prominent artists attended the opening. Hamilton celebrated the sensational birth of the Pan Europ with its Marking Modern Times with Hamilton party and also used tram advertising to enhance its brand presence. The second ck watch & jewelry store was opened at Shatin New Town Plaza. A new off-white interior concept contributes to a memorable experience in the shop. Kate Tsui and Ron Ng were invited as guests of honor.

Swatch opened two flagship stores, one in the heart of Causeway Bay, the other in Tsim Sha Tsui. The eye-catching stores communicate the brand’s “joy of life” message. In November, the Blum collection was auctioned by the Phillips de Pury & Company auction house for 45 million Hong Kong dollars, amounting to over six million Swiss francs, to a mainland Chinese collector.









SWATCH GROUP SINGAPORE

Swatch Group Singapore enjoyed double-digit growth in 2011, consolidating its market position and reinforcing its qualitative distribution network across all segments. In April, Breguet underscored its dedication to cultural preservation when it welcomed 400 distinguished guests to the Monumental Ball, to raise awareness of Singapore's national monuments. Jaquet Droz hosted an exquisite dinner event to introduce its new collections to 30 VIP customers at the Regent Hotel. Omega's robust sales growth was accelerated in September when the new Planet Ocean collection was introduced in the market with a powerful advertising campaign and cocktail previews in the brand's flagship stores. In December, Omega arranged a media tour of Orbis's Flying Eye Hospital. Longines anchored its relationship with the prestigious Singapore Turf Club upon successful completion of the Longines Singapore Gold Cup for the second year running. Rado's new collections, Rado Centrix, Rado True Thinline and Rado D-Star, were instant hits at their launch in the market. October marked the launch of Tissot's Racing Touch followed by a vibrant exhibition held in Raffles City, incorporating Augmented Reality. Hamilton presented its first life-size Aerobatic Aircraft at VivoCity during a week-long exhibition. Media and guests were treated to a fashion show during ck watch & jewelry's preview of its Fall Winter collection. Swatch Touch thrilled the local scene with the Zebra Day, Kidrobot and Touch launches.

SWATCH GROUP MALAYSIA

Swatch Group Malaysia continued its high rate of growth in 2011 by aggressively developing its own retail activities, significantly improving the quality of its brands' presence in third-party distribution and continuously innovating in terms of marketing and promotion. In this light, Breguet hosted several exclusive dinners to introduce its Basel 2011 novelties to VIP clients. In October, Blancpain installed a highly visible quality corner in the most prestigious mall in Kuala Lumpur, the Starhill Gallery. Omega conducted two major product launches during the year, first in February when the Ladymatic collection was introduced in dramatic fashion in Pavilion Kuala Lumpur, and then in October when the new Planet Ocean range was unveiled with brand ambassador Simon Yam at the Club Saujana Resort. Riding on the success of last year's design award, Rado delighted many local art and design talents again with the Rado Star Prize 2011 Award from August till October. For Tissot fans in the country, the brand's partnership with Jungfrau Railway's centenary countdown in April was a thrilling experience, followed by the visit of Chinese superstar, Huang Xiao-Ming, to Tissot's Seastar 1000 collection exhibition in September. Certina's media launch of the DS Multi-8, the eye-catching outdoor billboards of the Mido Multifort collection, and ck watch & jewelry's consistent emphasis on quality merchandising at points of sale all generated great demand for their products in the market. Last but not least, Swatch was at the forefront with its new Swatch Touch and New Gent collections.







**SWATCH GROUP THAILAND**

In a particularly challenging environment, Swatch Group Thailand was able to find resources to strengthen its market leadership position in 2011. Activities were focused on direct operations with end-consumers and on developing further Swatch Group's brands' presence in the department stores. In June, Breguet organized Breguet Back to Classique, an exceptional dinner party at the St. Regis Hotel to introduce The Breguet Classique 7337 watch and to acknowledge its VIP customers. In July, Omega presented the Ladymatic at an exclusive gala dinner at the Mandarin Oriental Hotel. In October, the brand held the Planet Ocean Party in association with Human Resources Training and Sports Divisions of the Royal Thai Marine Corps to launch the popular new collection. Longines strengthened its presence in the Thai market by opening a new shop-in-shop in Pattaya, one of the best known tourist cities in Southeast Asia. Rado opened its first shop-in-shop at Siam Paragon shopping mall. Rado fans were delighted as the store offers an exclusive selection of the brand's most celebrated products, including Rado Centrix and Rado True Thinline. In February, Tissot introduced a new kiosk at Paradise Park, Bangkok's newest shopping center and in September, the brand sponsored the fourth Thailand Basketball Open 2011 for the first time. Tissot awarded a Tissot T-Touch Expert to the most valuable player. Swatch launched the latest New Gent collection with a campaign at the Siam Center boutique in Bangkok – the collection's mix and match concept was one of the fashion show's main themes.







**SWATCH GROUP  
SOUTH KOREA**

Swatch Group had a solid year in South Korea. Breguet sponsored the Great Mountain Music Festival, which attracted its target clientele and generated excellent publicity. Blancpain held its first Mini-Baselworld event, inviting press and customers. Jaquet Droz's first retail shop in Seoul raised awareness of the brand. Omega reinforced its status in the high range segment with Ladymatic and Planet Ocean launch events in March and September respectively. Longines once again achieved excellent results, setting a new sales record and increasing its visibility. The Rado Star Prize 2011 underscored the brand's image of Unlimited Spirit and design. South Korea has become one of Tissot's Global Top key markets. Mido set new sales records and enjoyed remarkable growth, reinforcing its position in South Korea. Hamilton enjoyed record sales and enhanced its presence in the world of aviation with a nationwide tour of the Hamilton Plane. ck watch & jewelry used aggressive marketing and advertising to strengthen its position as the leading fashion watch and jewelry brand in market. Swatch focused on retail shop renovations and opened its first Ice Dunes store. The New Gent TV campaign and "power bloggers" contributed to brand visibility. Awareness of the Flik Flak brand was enhanced by the new Disney collection.



**SWATCH GROUP  
JAPAN**

On March 11, 2011 Japan suffered a major earthquake and tsunami. Swatch Group's priorities that day were its employees and their families; fortunately, none were seriously injured. The disaster claimed many lives; thousands of people are still living in shelters in the north of the country. Though the earthquake was felt in Tokyo, little damage was registered there. Swatch Group Japan actively participated in reconstruction efforts and assisting the population. Tokyo endured electricity, water and gasoline shortages, and the nuclear threat from Fukushima affected the population psychologically; remarkably, however, the situation improved and a relatively normal life was resumed. Initially, the overall economy slumped and sales were impacted but as of summer, positive signs were seen in the market and Swatch Group's brands, benefitting from previous years' improved distribution, recovered well and ended the year with good results.

Breguet confirmed its position as top prestige watchmaker and enjoyed a solid end-of-year performance. Its Type XX Exhibition at Cité du Temps in the Nicolas G. Hayek Centre allowed the brand to showcase its heritage and innovative spirit, attracting an impressive response. Since September, Blancpain, Glashütte Original and Jaquet Droz also held product launch events and exhibitions in their boutiques to the delight of their VIP customers, securing the success of their products. Omega started the year in style with the opening of its second Japanese airport boutique, at the Osaka Kansai International Airport. Thanks to selective distribution and the launch of the new Planet Ocean and Ladymatic collections, Omega gained market share.

In September, Longines held a DolceVita Photo Contest event with Ambassador of Elegance, Chi-Ling Lin. The contest ensured the success of the launch of the DolceVita watches. In October, Longines partnered two main international events: the Rakuten Japan Open and the 43rd Artistic Gymnastics World Championships. Rado focused on in-store events for the successful Rado





True Thinline launch, while Tissot capitalized on its sport lines, notably during the Japan MotoGP race in October. Hamilton enjoyed a record year in all distribution channels thanks to key product placements and its Hollywood link. ck watch & jewelry continued to strengthen its distribution, including the opening of its first shop-in-shop on the ground floor of the Seibu department store. The 2011 collection was well received in the market and in October, a major press event generated solid coverage of the Fall Winter collection.

Swatch, always cool and energetic, enhanced its brand image with the Ice Dunes concept at the Osaka store in October and enjoyed great success with its Swatch Touch, which was launched at an event attended by celebrities and media. This collection was particularly well received by tech-savvy Japanese consumers. Although Japan was struck by its worst disaster since 1945, it showed remarkable resilience, and the year ended on a very positive note for Swatch Group Japan.

## SWATCH GROUP INDIA

In 2011, Swatch Group India grew substantially across all segments. The brands strengthened their market position through increased, innovative marketing activities, better in-store visibility, mono-brand stores and sustained launch- and event-focused public relations efforts.

Prestige segment leader Breguet presented the Marine Royale collection in Delhi resulting in extensive media coverage and sales growth. Blancpain was consistently present in leading lifestyle magazines. Jaquet Droz exhibited its collection to up-market customers at Delhi's Super Car and Bike Show.

Omega promoted the Ladymatic range with ambassador Sonali Bendre Behl in Delhi and opened two new boutiques in South India. Longines focused on quality distribution by opening shop-in-shops in key markets. Ambassador Aishwarya Rai Bachchan was guest of honor at the Prix de Diane Longines, at the Chantilly race-course near Paris. Actor Hritik Roshan was unveiled to media and retailers as Rado ambassador at an event in Gurgaon. Rado opened two new boutiques and 15 shop-in-shops, exhibiting high-end watches in eight cities.

Tissot opened three new boutiques and 17 shop-in-shops. The brand's ambassador Deepika Padukone presented new ladies' watches at a press briefing in Mumbai (Bombay). In Delhi, Balmain's unique event celebrating womanhood was attended by customers, media and retailers. ck watch & jewelry expanded its







retail network to 140 points of sale with 15 new shop-in-shops and enjoyed high growth with key accounts. Eight Swatch stores and 20 shop-in-shops were opened in 2011. Marketing was successfully focused on the Full Blooded and New Gent collections.

**SWATCH GROUP  
MIDDLE EAST**

Swatch Group Middle East enjoyed increased sales in 2011. The Time to Move event was once again a success, attended by Swatch Group's regional partners, who were welcomed by Nayla Hayek and local senior management. Breguet remained the clear leader in the prestige segment. Demand for its products far exceeded supply. New shop-in-shops opened at prestigious locations, including Zabeel Saray Palace on Palm Jumeirah. Blancpain had continuous sales growth and expansion of points of sale. It was active in motorsports at the Dubai 24 Hour Race in Dubai and the GT1 race in Abu Dhabi. Another highlight was the launch of the X-Fathoms divers' watch in the Dubai Aquarium & Underwater Zoo in the Dubai Mall with Marc A. Hayek and freediver Gianluca Genoni. In Dubai, Glashütte Original presented its exclusive timepieces and demonstrated the excellence of German craftsmanship at the celebration of the 20th anniversary of the reunification of Germany. Jaquet Droz continued to strengthen its position with the implementation of new shop-in-shops in the United Arab Emirates (UAE), Qatar and Kuwait and with regional exhibitions. The new watch models presented at Baselworld 2011 by Tiffany & Co., including the Atlas Cocktail Round and the Tiffany Gallery, were particularly well received. Omega's strong growth was driven by improved distribution, effective marketing and strategic partnerships with the Omega Dubai Ladies Masters and Omega Dubai Desert Classic golf events. Longines' performance was supported by successful product launches, strong marketing campaigns, boutique openings and by strategic partnerships with Meydan racecourse and the Emirates Equestrian Federation that established the brand as the official timekeeper at their key events. Rado opened stores in Saudi Arabia, Qatar and the UAE. In the autumn it partnered with World of Fashion, a platform showcasing emerging designers, and successfully launched its new collection, the Rado True Thinline. Mid-price market segment leader, Tissot, achieved record sales as







retail presence was upgraded with new boutiques and shop-in-shops. Targeted marketing strategies maximized brand equity. Balmain strengthened its image by implementing more shop-in-shops, especially in Saudi Arabia and the UAE. Aggressive marketing campaigns helped double its sales in the UAE. Certina's year was distinguished by ambitious shop-in-shop development in the UAE, its successful re-launch in Turkey and focused marketing and development plans in all countries. 2011 was a very positive year for Mido. Consistent with its worldwide strategy, the brand continued to consolidate its presence in the main markets, which strongly influenced sales. Hamilton substantially increased its presence in key markets such as Saudi Arabia and the UAE, resulting in more visibility and increased market share. ck watch & jewelry inaugurated new shop-in-shops and reinforced the visibility of its points of sale. Excellent performance was achieved in Dubai and Abu Dhabi. North Africa showed solid growth despite the effects of the Arab Spring.

Swatch again delivered double-digit growth. Consistent development of quality distribution proved to be a successful long-term strategy. The brand was further strengthened by focusing on

dedicated training and efficient marketing activities throughout the region. Flik Flak's joyful creations and unique time teaching concept appealed to children and their parents, leading to another year of strong sales in all markets.





SWATCH GROUP  
SOUTH AFRICA

Swatch Group South Africa strengthened the market position for all its brands considerably in 2011. The improved organization is now poised to gain further market share. The year’s focus was placed on effective customer service and the optimization of the distribution network for all brands present in the country. In parallel, the brand portfolio was streamlined in an effort to reinforce the strong performers. The prestige and luxury brands – including Breguet, Blancpain, Glashütte Original and Jaquet Droz – are now represented with shop-in-shops at the new extension of Africa’s leading shopping mall, Sandton City in Johannesburg. A trend event featuring all of the brands displayed the strength and the range of Swatch Group’s activities to 300 media, local celebrities and major retail partners. Omega brand ambassador, South African swimmer Chad Le Clos, inspired the nation with his world championship achievements. Longines was featured on a major lifestyle television program. The Rado True Thinline ceramic timepiece was launched and generated enormous interest. Tissot introduced Seastar 1000, Couturier Lady and Racing-Touch. ck watch & jewelry presented its new collection to leading fashion editors at an exclusive launch in Cape Town. Swatch stimulated interest as part of an urban street culture event that took place in Johannesburg’s inner-city streets.





# GOVERNANCE







## ENVIRONMENTAL POLICY

### Environmental and Safety Policy

Environmental protection and safety represent key principles for all sectors of Swatch Group – principles that are respected, promoted and implemented daily by every employee. Each takes great care to respect and pay the greatest attention to our environment and to safety considerations in general. These dimensions are part of the environmental, social and corporate governance values (ESG) that are of the highest importance to us all, and which are also expressed in various sections of this Annual Report.

As a matter of principle, resources are used efficiently and sparingly in order to ensure that products are manufactured and commercialized with respect for the environment and for sustainable development. Recourse to easily recyclable materials and substances as well as environmentally-friendly production methods is taken into consideration from the very beginning of the planning and development phase for new products. In particular, measures to reduce energy consumption are implemented, whether through production installations equipped with intelligent energy management systems or through the energy optimization and thermal insulation of infrastructures.

All the relevant values in relation to operational ecology are collected and consolidated annually. These consolidated values are assessed and used as a benchmark to verify realized objectives as well as to set further targets.

The various improvements made in terms of operational ecology during the year under review are highlighted by the set of indicators presented here.

### Progress achieved

Measures taken and efforts deployed mainly focused on areas having a significant impact on the environment, such as energy, water, air, and waste management. Compared to the previous year, and taking into consideration the strong increase in production volume in all sectors, as well as the extension of the company's distribution network, the results achieved in 2011 show a moderate increase, or even a decrease of the indicators in the following areas.

#### Energy consumption by floor space (kWh/m<sup>2</sup>)

During the year, energy consumption by floor space of fuel, natural gas and remote heating decreased by 6.4%. This progress was the result of the implementation of measures including building renovation and insulation, improvement or replacement of various air-conditioning and cooling systems and the installation of new systems for heat recovery and solar energy produced heating and hot water.

#### Electrical consumption by floor space (kWh/m<sup>2</sup>)

Compared to the previous year, consumption of electricity measured in kWh/m<sup>2</sup> increased by 9.8%. This increase is due to a proportionately higher increase in production. The implementation of new tools and machines with low energy consumption on several production sites also contributed to proportionately lower electrical consumption as did the energy-saving programs conducted at various Swatch Group companies.

#### CO<sub>2</sub> emissions resulting from energy consumption

Fossil fuel savings decreased CO<sub>2</sub> emissions by 4.9% compared to the previous year. This reduction results, on one hand, from a reduction in the use of heating fuel and natural gas, and on the other, from an increase in the use of renewable energy (solar, hydraulic). Additionally, collaboration between several Swatch Group companies and the Economic Energy Agency (Agence de l'énergie pour l'économie/AEnEc) to reduce CO<sub>2</sub> emissions was pursued.

#### Waste management

During 2011, the amount of special waste (watch batteries excluded) increased by 21.5%, following the substantial increase in production volume. At the same time, the share of recovered or recycled special waste increased by 10.8%. The other industrial waste, such as paper, cardboard, synthetic material and electronic components, decreased by 0.5%; while the amount of incinerated and recycled industrial waste increased by 7.4% and 9.1% respectively. Taking into account the significant increase in production volume, the increase in industrial waste was minimal. This stemmed from the intelligent use of resources as well as from appropriate tracking and recycling of waste and, respectively, its systematic and ecological elimination.

#### Battery recycling

During the period under review, the quantity of batteries collected and delivered to registered companies specialized in recycling increased by 1.9% compared to the previous year, without taking into consideration the elimination of expired batteries and the liquidation of end of ranges at Renata. Additionally, it should be emphasized that only non-polluting batteries are still produced.

#### Water management

Considerable progress was again made in this area. Despite the massive growth in production, the increase in the number of employees and shifts, as well as a greater number of air-conditioning and cooling installations compared to the previous year, consumption of drinking water increased by only 114 500 cubic meters and non-drinking water by 96 300 cubic meters. During the year under review, further investments were made to save wastewater in production, notably through the implementation of a greater number of closed water circulation systems, the improved yield of water recovery systems, additional water-saving sanitary systems and other similar measures.



### Emission of VOCs (Volatile Organic Compounds)

The increase in production volumes during the year was the cause of the 12.7% increase in the consumption of products generating VOC emission compared to the previous year. This was mainly due to an increased use of acetone, alcohol and benzene as cleaning products for produced components, generating a 12.1% increase in VOC emissions into the atmosphere. On the other hand, an additional 8% of VOC was recovered and recycled, thanks notably to the implementation of recovery methods for benzene and other volatile solvents.

### Paper consumption

During the year under review, the amount of paper and cardboard collected and recycled was reduced by 2.1% compared to the previous year. Collection of paper and cardboard and delivery to approved recycling centers was increased.

### Risk management

Continually identified by internal and external experts who conduct regular risk assessments, risks are recorded, analyzed and evaluated using the Corporate Risk Management System in order to determine the steps to be taken to avoid or minimize potential damage. Swatch Group has also decided to implement a Business Continuity Management System in all its companies during the next two or three years.

Fire remains the highest potential risk identified. In this light, it is important to promote risk prevention in the broadest terms, above all at the production sites. Exhaustive, clearly defined emergency measures have been implemented in the event of an accident occurring.

Swatch Group devotes particular attention to the safety and health of its employees and management provides all the necessary resources for a safe and healthy working environment.

In terms of production methods and sustainable products, Swatch Group also fully complies, among many other international directives, with the European Union's directives on RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment).

Environmental, ethical and social criteria are also an integral part of the Swatch Group procurement policy. To be accepted, suppliers have to fully comply with a clearly defined set of contractual conditions in terms of security, environmental protection and social policy. This procedure is also applied to sourcing exotic leathers, so that Swatch Group gets its supplies of such leather exclusively from controlled breeding sources in the USA.

Diamond sourcing fully complies with the Kimberley Process regulations and the guarantee of origin is thus ensured throughout the procurement chain. For precious metals such as gold, each supplier (gold refinery or commercial firm) is required to sign a statement relating to the fundamental ethical standards regarding the source of the materials.

Further information on these subjects is provided by Swatch Group Quality Management on page 97 of this report.

## 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 28 000 employees around the world, Swatch Group has a significant role in a large number of professions, trades and areas of activity. The decision made in 2009 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 is ever more present in the employment market, and 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.

Swatch Group is not satisfied with merely preserving existing jobs but also works to create new opportunities, in particular in the area of reviving and promoting ancient watchmaking professions that had been all but forgotten, such as *guillochage* (engine-turning). These measures have resulted in the company's internal competencies being systematically developed and consolidated. Employee suggestions are also considered to represent an opportunity, as they enable continued improvement of work processes and organization in Swatch Group companies. This perspective also encourages employees to take on new responsibilities in the company in a targeted, individual manner.

Additionally, new jobs were sustainably created in 2011 at both the local and regional levels due to the construction of new production chains in Switzerland as well as various other extensions of activities.



## Training

### Apprenticeship programs

Acutely aware of its socio-economic responsibilities, Swatch Group pays particular attention to professional training. In this regard, in August 2011, new apprenticeship programs were introduced for five additional trades – micro-mechanics, electroplaters, control engineers, goldsmiths and truck drivers. Within this context, the Swatch Group companies train young apprentices in watchmaking, micro-technology and electronic trades, amongst a wide range of industrial, arts and crafts, technical and commercial professions. In 2011, 323 apprentices were trained in 24 different professions.

### Nicolas G. Hayek Watchmaking Schools

Created on the initiative of the founder of Swatch Group, the Nicolas G. Hayek Watchmaking Schools complement the basic professional training program offered by Swatch Group companies and provide a long-term answer to the needs of the watchmaking industry by training a new generation of qualified watchmakers. Bespoke training is provided for watchmakers and future heads of client services in the company in the six schools around the world. After a rigorous selection process, students benefit from free individualized intensive instruction of the highest standard, according to a program of 3000 hours over two to three years. In 2011, the 53 students who completed the course passed their final exams with success while 63 new candidates were admitted for the following year.

### 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. In this framework, the emphasis of the courses is placed particularly on the specific needs of executives and specialists in watchmaking trades. A large number of leadership, social, technical and methodological competency seminars are given annually. Possible further education measures are defined in agreement with the employees involved. During further education courses, concrete solutions are developed using practical issues as the basis, thus encouraging their transfer to daily professional life.

## Working Conditions and Social Partnership

Swatch Group engages in open dialogue with the different labor organizations. In October 2011, a new collective labor agreement negotiated by the Swiss watch industry's employer organization, the *Convention patronale de l'industrie horlogère Suisse (CP)*, was signed. It came into effect on January 1 2012, for a five-year period, and provides beneficial framework conditions for employees of companies that belong to the CP.

Amongst other things, the company wants its employees to enjoy the benefit of high-level social insurance with a reassuring level of cover. Its constant investments demonstrate its desire to offer good working conditions for employees. Swatch Group is extremely concerned by all health and safety aspects in the workplace, and takes all possible steps to ensure a safe environment. Additionally, the company encourages the creation of a positive working atmosphere favourable to the personal fulfilment of its employees. As an international and multicultural company, with some 70 different nationalities working in its companies in Switzerland, the Swatch Group is a place of great 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.



# 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 4 and 5. The fully consolidated companies, of which none but The Swatch Group Ltd is listed on the Stock Exchange, are given on pages 202, 203 and 204 with each company's name, domicile, share capital and the percentage of shares held.

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

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

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

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

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

### 1.2 Significant shareholders

As of 31 December 2011, the Hayek Pool, related parties, institutions and persons control 64 507 101 registered shares and 1 775 bearer shares, totalling 41.7% (previous year 41.6%) 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
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	—
Wohlfahrtsstiftung der Renata AG	Ittingen	—
Fonds de prévoyance d'Universo SA	Neuchâtel	—

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 40.8%) of the votes. 5.0% thereof are represented in the context of the Pool contract (previous year 4.9%).

Mrs Esther Grether's group controls 7.2% (previous year 7.2%) of the votes registered at 31 December 2011 in the share register. On 31 December 2011, 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 2011, 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 31.12.2011</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 2011.

### 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
31.12.2009	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
31.12.2011	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2010 and 2011, is published on page 155. For The Swatch Group Ltd, it is published for the year 2011 in note 7 on page 211. With regard to the previous years we refer to the annual reports 2008, 2009 and 2010.

### 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

The Swatch Group currently has no outstanding convertible bonds.

## Corporate Governance

### 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 2011, the content of this portfolio amounted to 1 888 220 registered shares; this corresponds to 0.68% of the total share capital (previous year 2 125 677 registered shares, 0.76% of the total share capital). In 2011, 237 457 registered shares (or 0.09% of the total share capital per 31.12.2011) were consequently sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

<b>Year of issue</b>	<b>Number of registered shares</b>	<b>Number of beneficiaries</b>	<b>Year of subscription/payup</b>
2009	70 633	191	2011
2010	81 355	215	2011
2011	85 469	233	2011
<b>Total</b>	<b>237 457</b>		

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

<b>Year of issue</b>	<b>Number of registered shares</b>	<b>Number of beneficiaries</b>	<b>Year of subscription/payup</b>
2010	79 118	211	2012
2011	85 387	233	2012
2011	83 786	232	2013
<b>Total</b>	<b>248 291</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

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

### 3. Board of Directors

The Board of Directors on 31 December 2011 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 was converted into an employment agreement. Following the signature of collaboration agreements with Tiffany & Co, New York, Mrs Hayek took 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 Engineering AG, Hayek Immobilien AG and Hayek France SA. Mrs Hayek is member of the Board of Directors of the Rivoli Group, Dubai and represents the interests of Swatch Group. She is also a member of the Board of Directors of Belenos Clean Power Holding Ltd. She holds no official function or political office.

**Esther Grether**, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1986. Mrs Grether is Chairperson of the Board of the Doetsch Grether Group, Basle. She has headed this group for over 30 years. As the second-largest shareholder after 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 reparation works on the Hubble Space Telescope which were a complete success. The Universities of Geneva and Basel and the École Polytechnique Fédérale de Lausanne, where Mr Nicollier teaches as a titular professor at the school of engineering, have conferred honorary doctorates on him. Mr Nicollier is involved in the «Solar Impulse»-Project and is responsible for the test flights. He is member of the Board of Directors of Belenos Clean Power Holding Ltd. Mr Nicollier does not exercise any operative functions at Swatch Group, does not have any business relationship with Swatch Group and holds no political office.

**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 taught 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 Vicepresident of the board and director 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 President of the board and chief of the I. Department (political economics, international affairs, law 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 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 elected a member of the Board of the Swiss Re and of Nestlé Ltd in 2010. Since July 1, 2010 Mr Roth is President of the Banque Cantonale de Genève (BCGE).

## Corporate Governance

**Ernst Tanner**, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1995. He has been Vice-Chairman of the Board of Directors since June 29, 2011. Mr Tanner 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. In addition, he is a member of the Board of Directors of the German Krombacher Brauerei GmbH & Co. KG, as well as a member of the Board of Directors of the Zurich Chamber of Commerce and delegate of the Society for the Promotion of the Swiss Economy. 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
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

Dr. Peter Gross resigned as a director of the Company with effect from the Ordinary General Meeting 2011. Since the merger (1983) he was a member of the Board of Directors and from 1998 onwards Vice-Chairman of the same. Before the merger, he was a member of the Board of Directors of ASUAG (since 1977) and of SSIH (since 1981, Chairman 1981 - 83). At the board meeting on June 29, 2011, the Board of Directors elected Mr Ernst Tanner as the new Vice-Chairman of the Board of Directors.

### 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 (Mr Ernst Tanner) 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).

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 are decided.

In the year under review, the Board of Directors met five times. The meetings lasted approximately three to four hours. Furthermore, the Compensation Committee met twice and the Audit Committee met once.

The members of the Executive Group Management Board regularly attend the ordinary meetings of the Board of Directors (second part). Beside the President (CEO) of the Executive Group Management Board, the Chief Financial Officer (CFO) and the Chief Legal Officer (CLO) and, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit Committee. The Chief Legal Officer (CLO) participates in the meetings of the Compensation Committee as he attends to the personnel issues of the members of the Executive Group Management Board and Extended Group Management Board. Where there are discussion points concerning a person present, such person withdraws from the meeting.

## Corporate Governance

### 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 December 31st, 2011

### 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.



## Corporate Governance

**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 member of 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 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 Belenos Clean Power Holding AG.

**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 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. Mr Streule 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, is a member of the Board of Directors of CSEM.

**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, as well as being responsible for Glashütte Original. He joined the Swatch Group in 1995 (Finance Department, Swatch AG). He subsequently assumed responsibility for the telecom business of the Swatch Group and was thereafter appointed as Country Manager for the USA. Before joining the Group, Mr Gamard held various posts with Procter & Gamble and Cartier.

**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. Mr von Känel is a member 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 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

Mr Roland Streule reduced his professional activity to 70% with effect from June 1, 2011. He will retire at the end of March 2012. Until then he will have responsibility for the South African operation.

### 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 results-related part of the total compensation of the members of the Executive Group Management Board and the Extended Group Management Board carries importance.

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.

The Compensation Committee decides on salaries, bonuses and stock options of the Executive Group Management Board and Extended Group Management Board, based on proposals jointly submitted by the Chairwoman of the Board of Directors, the CEO and CLO.

In past years, adjustments have been made to the basic salary component and bonus potential only where there was a change of responsibility.

#### 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.



## Corporate Governance

### 5.2 Compensation for acting members of governing bodies

In 2011, the members of the Board of Directors received a total amount of CHF 4 465 790. The highest amount reached CHF 3 886 056. For details please refer to the table on page 199. The members of the Executive Group Management Board and the Extended Group Management Board received in 2011 an amount of CHF 33 973 224. In this category the CEO has received the highest remuneration of CHF 6 363 150. Details may be seen on the table on page 200.

No compensation was paid out to former members of governing bodies.

#### 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 150 200 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 (cf. page 199, footnote 3) and Mr G. N. Hayek (cf. page 200), 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 201.

#### Loans to members of the governing bodies

Group employees have the possibility of taking out a mortgage loan with the Swatch Group Pension Fund for the construction or acquisition of primary residences in Switzerland.

The conditions of this mortgage loan are set by the Swatch Group Pension Fund Foundation Board. The conditions are equally applied to all employees of the Swatch Group. At the end of 2011, one such loan had been advanced to one member of the Executive Group Management Board in a total amount of CHF 0.87 million (see note 29d on page 198).

#### Pension-/Management Funds

The members of 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. Such termination payments are not foreseen in the employment agreements with members of governing bodies.

## 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. Gerhard Siegrist, as head auditor (Engagement Partner), has been responsible for the audit and Group audit since the 2011 accounting year.

- 8.2 Auditing fees and additional fees (incl. 8.3)** The following auditor's fees have been charged to the 2011 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	3.4	0.2	0.1	3.7
Other Auditing Companies	1.1	1.1	1.3	3.5
<b>Total 2011</b>	<b>4.5</b>	<b>1.3</b>	<b>1.4</b>	<b>7.2</b>
Total 2010	4.7	1.4	1.5	7.6

- 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:

- January 10, 2012 Turnover of 2011
- February 7, 2012 Key figures 2011
- March 1, 2012 Press conference and annual report
- May 16, 2012 General Meeting of Shareholders
- August 14, 2012 Half-year figures 2012

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 obtained from the Swatch Group website at [www.swatchgroup.com](http://www.swatchgroup.com), and in particular under the «Investor Relations» section. The annual report can also be viewed and downloaded using the link [www.swatchgroup.com/annual\\_report](http://www.swatchgroup.com/annual_report). In addition, the [swatchgroup.com](http://swatchgroup.com) homepage allows for the possibility of subscribing to the Push-and-Pull information service in order to receive ad-hoc-financial announcements.

For queries, there is a contact form at [www.swatchgroup.com/contactus](http://www.swatchgroup.com/contactus). Queries may also be sent by post (The Swatch Group Ltd., Seevorstadt 6, CH-2501 Biel) or by fax to +41 32 343 69 11 or by telephone on +41 32 343 68 11.



# FINANCIAL STATEMENTS 2011

CONSOLIDATED  
FINANCIAL STATEMENTS  
FINANCIAL STATEMENTS  
OF THE HOLDING





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# Financial review

## Key financial developments in 2011

- **Gross sales:** Gross sales exceed CHF 7 billion for the first time to CHF 7 143 million, an increase of +21.7% over 2010 at constant exchange rates.

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- **Segments:** Excellent performance with double-digit growth in the Watches & Jewelry segment as well as in the Production segment.

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- **Operating profit:** Operating profit of CHF 1 614 million, an increase of +12.4% on 2010. Operating margin increases from 23.5% to a strong 23.9% despite the negative currency environment and the sharp rise in commodity prices.

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- **Net income:** Net income up +18.1% to CHF 1 276 million.

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- **Earnings per share:** Basic EPS of CHF 4.70 per registered share (2010: CHF 4.05) and CHF 23.50 per bearer share (2010: CHF 20.27).

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- **Equity:** Equity over CHF 8 billion for the first time, equal to an equity ratio of 82.3%.

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- **Dividend:** Proposed dividend increase of 15%, CHF 5.75 per bearer share (2010: CHF 5.00) and CHF 1.15 per registered share (2010: CHF 1.00).

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- **Headcount:** More than 2 800 new jobs created in 2011 alone.

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- **Outlook:** Another successful start in January 2012 with double-digit growth in the segment Watches & Jewelry despite a high basis of comparison from the previous year.

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## Financial review

### 1. Operating results

#### Key figures Group

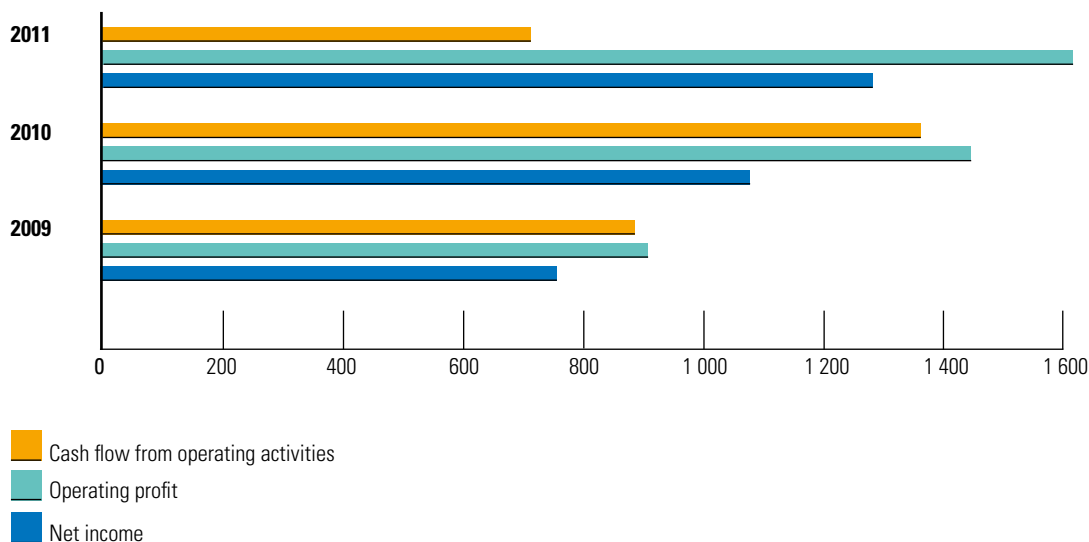
(CHF million)	2011	2010	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>	<b>7 143</b>	6 440	+21.7%	–10.8%	+10.9%
<b>Net sales</b>	<b>6 764</b>	6 108			+10.7%
<b>Operating profit</b>	<b>1 614</b>	1 436			+12.4%
– in % of net sales	<b>23.9%</b>	23.5%			
<b>Net income</b>	<b>1 276</b>	1 080			+18.1%
– in % of net sales	<b>18.9%</b>	17.7%			
<b>Equity</b>	<b>8 071</b>	7 101			+13.7%
– as % of total assets	<b>82.3%</b>	82.4%			
<b>Average return on equity (ROE)</b>	<b>16.8%</b>	16.5%			



## Financial review

### Performance trends

(CHF million)



For 2011, the Swatch Group has record numbers at all levels to post once again. Despite the ongoing difficult currency environment gross sales were up 21.7% on a currency-adjusted basis to CHF 7 143 million. The continued weakness in the euro and the dollar during the year had a major negative impact on sales of about CHF 700 million.

Improvements in efficiency and the Group's traditionally strong cost controls helped increase its operating profit for the year under review by 12.4% to CHF 1 614 million, despite an unfavorable trend in foreign currencies and the sharp rise in the price of gold and diamonds, two important commodities for us. The operating margin of 23.9% was able to beat the good level from the prior year. Overall, the Group posted record results, with its net income up 18.1% over the prior year to CHF 1 276 million.

Equity of CHF 8 071 million, with an equity ratio of 82.3%, confirms the continuity of the Group's extremely solid financing. The average return on equity was a considerable 16.8% (16.5% in 2010). The Swatch Group generated an operating cash flow of CHF 705 million despite an increase in inventories, for the expansion of the own distribution network on the one hand, and for strategic commodities such as precious metals and diamonds on the other hand. Furthermore, approximately CHF 580 million have been used for investments. During the year under review, the Swatch Group created more than 2 800 new jobs, which raised the number of employees worldwide to over 28 000.

The Board of Directors of the Swatch Group will propose the following dividend for 2011 to the Annual General Meeting on 16 May 2012: CHF 5.75 per bearer share and CHF 1.15 per registered share. This increase in the dividend payment to shareholders of 15% versus the previous year is a result of the record results achieved in 2011 and underscores the optimistic outlook for business performance going forward in 2012.

## Financial review

### Segment performance

#### Watches & Jewelry

(CHF million)	2011	2010	Change in %		Total	2010
		restated *	at constant rates	currency effect		as reported
<b>Gross sales</b>						
– Third parties	<b>6 309</b>	5 528				5 528
– Group	<b>3</b>	4				4
– Total	<b>6 312</b>	5 532	+26.1%	–12.0%	+14.1%	5 532
<b>Net sales</b>	<b>5 953</b>	5 225			+13.9%	5 225
<b>Operating profit</b>	<b>1 352</b>	1 247			+8.4%	1 221
– in % of net sales	<b>22.7%</b>	23.9%				23.4%

\* restated following changes in Group structure and retroactive adjustments to segment information

The Swatch Group's core Watches & Jewelry segment was up again strongly in 2011. Gross sales reached CHF 6 312 million, an increase at constant exchange rates of 26.1% over 2010. The strength of the Group's brands was noticeable not only in Greater China, but in all other regions as well, and in the very strong growth rates across all price segments, which have been leading to major capacity bottlenecks at times.

In addition to the very difficult currency environment, the rise in prices for commodities important to us, such as gold and diamonds, had a negative impact on margins. Despite this situation, the Swatch Group has maintained, in the interest of expanding market share, its long-term policy of not implementing short-term price increases. For the same reason marketing activities have been intensified in all price segments and brands. Despite this, the segment's operating profit increased by 8.4% to CHF 1 352 million, which represents an operating margin of 22.7%.

## Financial review

### Production

(CHF million)	2011	2010	Change in %			2010
			at constant rates	currency effect	Total	
		restated *				as reported
<b>Gross sales</b>						
– Third parties	518	488				488
– Group	1 497	1 032				1 051
– Total	2 015	1 520	+33.0%	–0.4%	+32.6%	1 539
<b>Net sales</b>	1 972	1 468			+34.3%	1 487
<b>Operating profit</b>	322	196			+64.3%	169
– in % of net sales	16.3%	13.4%				11.4%

\* restated following changes in Group structure and retroactive adjustments to segment information

The huge increase in demand for various components during the year under review boosted gross sales in the Production segment by 32.6% over the prior year to CHF 2 015 million. Production capacities were expanded further. However, because of the constantly increasing demand for components in certain Production sectors, it was not possible to eliminate bottlenecks.

Thanks to high utilization and the traditionally strict cost controls, the segment's profitability was increased. Operating profit increased by 64.3% to CHF 322 million, corresponding to an operating margin of 16.3% (versus 13.4% in 2010). The increase came despite sharp price increases for many commodities.

We expect growth to continue in 2012. To meet this growth, the Swatch Group will continue to invest heavily in its production capacities in Switzerland.



## Financial review

### Electronic Systems

(CHF million)	2011	2010	Change in %			2010
			at constant rates	currency effect	Total	
		restated *				as reported
<b>Gross sales</b>						
– Third parties	308	416				416
– Group	28	24				24
– Total	336	440	–16.3%	–7.3%	–23.6%	440
<b>Net sales</b>	334	436			–23.4%	436
<b>Operating profit</b>	13	61			–78.7%	57
– in % of net sales	3.9%	14.0%				13.1%

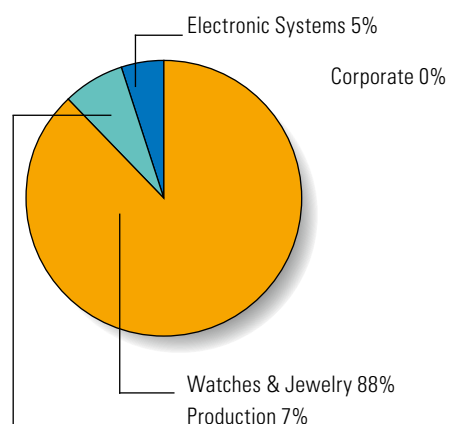
\* restated following retroactive adjustments to segment information

The market environment for the Electronic Systems segment in 2011 was characterized by the strong overvaluation of the Swiss franc and the weakening in certain key markets. International competitors had a clear USD cost advantage, which we were not able to make up for through higher production volume. Nevertheless, the segment finished the year with gross sales of CHF 336 million, which represents a decrease of 16.3% at constant exchange rates.

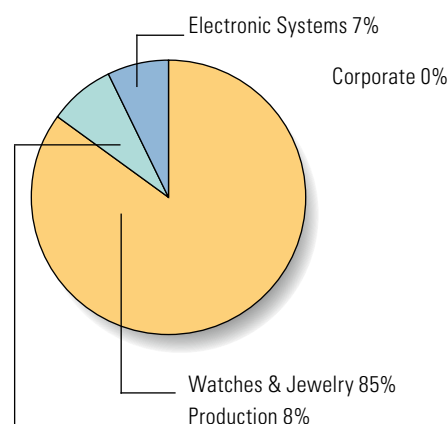
Profitability suffered under the difficult economic environment. The segment's operating profit reached CHF 13 million in the year under review, which represents an operating margin of 3.9% (versus 14% in 2010). The segment should return to a growth path soon thanks to the currently positive order entries and a modest rebound in the USD.

### Segment share of net sales

2011



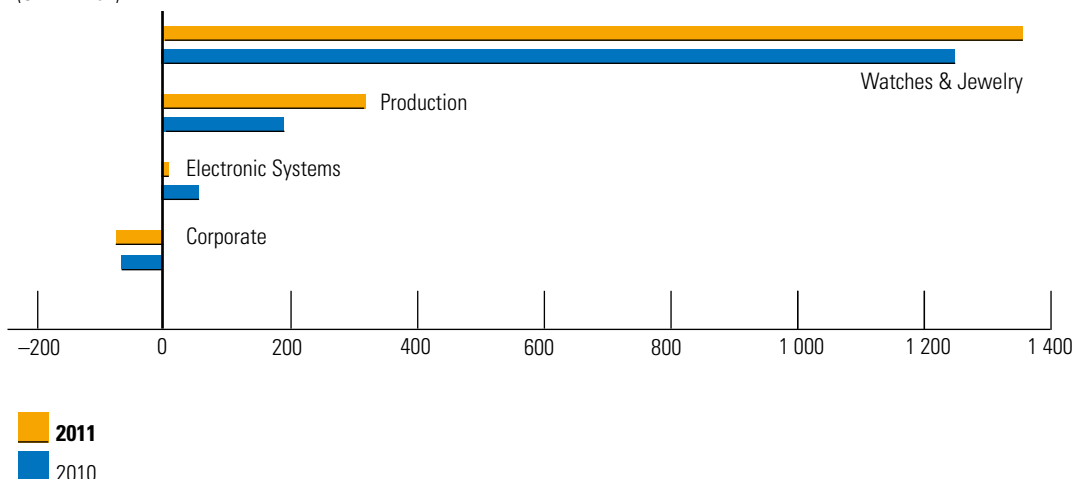
2010



## 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)	2011	2010
Interest income	7	4
Result from marketable securities at fair value and derivatives	-4	30
Net result from investment property	5	0
Share of result from associates and joint ventures	6	9
Net currency result	-10	-73
Interest expense and other financial expense	-7	-8
<b>Total net financial result</b>	<b>-3</b>	<b>-38</b>

Due to the ongoing volatile foreign currency development in 2011, especially with the weak Euro, US Dollar and other Dollar related currencies, the Group recorded net currency losses of CHF 10 million (compared to CHF 73 million in 2010). The result from marketable securities and derivatives was a loss of CHF 4 million (compared to a gain of CHF 30 million in the previous year). Overall, the net financial result for the year 2011 was a loss of CHF 3 million, which is significantly better than in 2010. 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 decreased from 22.8% in the previous year to 20.8% in the current year, which is partly due to lower income tax rates in certain countries.

### Proposed dividend

At the General Meeting on 16 May 2012, a dividend for the financial year 2011 of CHF 1.15 (2010: CHF 1.00) for registered shares and of CHF 5.75 (2010: CHF 5.00) for bearer shares will be proposed. This dividend, totalling CHF 320 million with an expected cash-out impact in 2012 of CHF 310 million, is not recognized as a liability in the consolidated financial statements at 31 December 2011.

### Earnings per share

Basic earnings per share increased in the current year by 16% to CHF 4.70 (CHF 4.05 in 2010) for registered shares and CHF 23.50 (CHF 20.27 in 2010) for bearer shares respectively. The solid increase in net income compares to a practically unchanged average number of shares outstanding. 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 2011, the Group realized an operating cash flow of CHF 705 million (2010: CHF 1 353 million). The decrease was partly due to a higher net working capital. Net investing activities were higher than in 2010, mainly due to increased investments in tangible and other non-current assets. The dividend was again the main item in the cash flow from financing activities. Overall, the Group's cash position decreased in 2011 by CHF 209 million and achieved CHF 1 616 million at year-end.

#### Asset and capital structure

The consolidated balance sheet continues to remain very solid. Group equity exceeded the mark of CHF 8 billion for the first time, with the Group's equity ratio remaining at a level 82.3% (compared to 82.4% in 2010). Current liabilities are covered by current assets by a factor of 6.2 (6.1 in 2010).

### 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)	2011		2010	
Overall Group performance	<b>7 686</b>	<b>100.0%</b>	6 690	100.0%
Material and services	<b>-4 025</b>	<b>-52.3%</b>	-3 431	-51.3%
Depreciation	<b>-229</b>	<b>-3.0%</b>	-222	-3.3%
<b>Net added value</b>	<b>3 432</b>	<b>44.7%</b>	3 037	45.4%
% change	<b>13.0</b>		18.5	

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

(CHF million)	2011		2010	
Employees	<b>1 818</b>	<b>53.0%</b>	1 634	53.8%
Public authorities	<b>335</b>	<b>9.7%</b>	318	10.5%
Lenders	<b>3</b>	<b>0.1%</b>	5	0.2%
Shareholders	<b>274</b>	<b>8.0%</b>	213	7.0%
Company	<b>1 002</b>	<b>29.2%</b>	867	28.5%
<b>Total</b>	<b>3 432</b>	<b>100.0%</b>	3 037	100.0%

### 4. Outlook

The Swatch Group is well prepared for the future and is maintaining its clear and healthy long-term growth strategy. We expect growth to continue in 2012, although this is more and more challenging due to the high benchmark. The Swatch Group will also continue to make targeted investments in 2012 in its worldwide distribution network and in its production capacities in Switzerland across all segments, despite the strong Swiss franc.



## Consolidated income statement

	Notes	2011		2010	
		CHF million	%	CHF million	%
Gross sales		7 143	105.6	6 440	105.4
Sales reductions		-379	-5.6	-332	-5.4
<b>Net sales</b>	(5, 6a)	<b>6 764</b>	<b>100.0</b>	6 108	100.0
Other operating income	(6b)	88	1.3	139	2.3
Changes in inventories		799	11.8	197	3.2
Material purchases		-2 221	-32.8	-1 471	-24.1
Personnel expense	(6c)	-1 818	-26.9	-1 634	-26.8
Other operating expenses	(6d)	-1 769	-26.1	-1 681	-27.5
Depreciation, amortization and impairment charges	(10, 11, 12, 18)	-229	-3.4	-222	-3.6
<b>Operating profit</b>		<b>1 614</b>	<b>23.9</b>	1 436	23.5
Other financial income and expense	(6f)	-6	-0.1	-42	-0.6
Interest expense	(6f)	-3	-0.1	-5	-0.1
Share of result from associates and joint ventures	(6f, 13)	6	0.1	9	0.1
<b>Profit before taxes</b>		<b>1 611</b>	<b>23.8</b>	1 398	22.9
Income taxes	(7a)	-335	-4.9	-318	-5.2
<b>Net income</b>		<b>1 276</b>	<b>18.9</b>	1 080	17.7
Attributable to equity holders of The Swatch Group Ltd		1 269		1 074	
Attributable to non-controlling interests		7		6	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>	(8)				
<b>Registered shares</b>					
Basic EPS		4.70		4.05	
Diluted EPS		4.70		3.97	
<b>Bearer shares</b>					
Basic EPS		23.50		20.27	
Diluted EPS		23.48		19.83	

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

## Consolidated statement of comprehensive income

	2011	2010
	CHF million	CHF million
<b>Net income</b>	<b>1 276</b>	<b>1 080</b>
<b>Other comprehensive income</b>		
Currency translation of foreign operations	6	-138
Income tax relating to currency translation	-	-
<b>Other comprehensive income, net of tax</b>	<b>6</b>	<b>-138</b>
<b>Total comprehensive income, net of tax</b>	<b>1 282</b>	<b>942</b>
Attributable to equity holders of The Swatch Group Ltd	1 275	936
Attributable to non-controlling interests	7	6

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

## Consolidated balance sheet

Assets	Notes	31.12.2011		31.12.2010	
		CHF million	%	CHF million	%
<b>Non-current assets</b>					
Property, plant and equipment	(10)	1 665	17.0	1 488	17.3
Investment property	(11)	31	0.3	41	0.5
Intangible assets	(12)	328	3.3	317	3.7
Investments in associates and joint ventures	(13)	191	1.9	169	1.9
Other non-current assets	(15)	253	2.6	145	1.7
Deferred tax assets	(7d)	241	2.5	219	2.5
<b>Total non-current assets</b>		<b>2 709</b>	<b>27.6</b>	<b>2 379</b>	<b>27.6</b>
<b>Current assets</b>					
Inventories	(16)	3 671	37.4	2 869	33.3
Trade receivables	(17)	894	9.1	716	8.3
Other current assets	(18)	338	3.5	269	3.1
Current income tax assets	(7c)	24	0.3	12	0.2
Marketable securities and derivative financial instruments	(19)	553	5.6	542	6.3
Cash and cash equivalents	(20)	1 616	16.5	1 827	21.2
<b>Total current assets</b>		<b>7 096</b>	<b>72.4</b>	<b>6 235</b>	<b>72.4</b>
<b>Total assets</b>		<b>9 805</b>	<b>100.0</b>	<b>8 614</b>	<b>100.0</b>

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



## Consolidated balance sheet

Equity and liabilities	Notes	31.12.2011 CHF million	%	31.12.2010 CHF million	%
<b>Equity</b>					
Share capital	(21a)	125		125	
Treasury shares	(21b)	-347		-293	
Other reserves	(21c)	-280		-286	
Retained earnings		8 556		7 541	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>8 054</b>	<b>82.1</b>	7 087	82.3
Non-controlling interests		17	0.2	14	0.1
<b>Total equity</b>		<b>8 071</b>	<b>82.3</b>	7 101	82.4
<b>Non-current liabilities</b>					
Financial debts	(22)	73	0.8	77	0.9
Other liabilities	(25)	21	0.2	0	0.0
Deferred tax liabilities	(7d)	429	4.4	353	4.1
Retirement benefit obligations	(23)	23	0.2	26	0.3
Provisions	(24)	37	0.4	37	0.4
<b>Total non-current liabilities</b>		<b>583</b>	<b>6.0</b>	493	5.7
<b>Current liabilities</b>					
Trade payables		400	4.1	291	3.4
Financial debts and derivative financial instruments	(22)	18	0.2	31	0.4
Other liabilities	(25)	545	5.5	479	5.6
Current income tax liabilities	(7c)	122	1.2	156	1.8
Provisions	(24)	66	0.7	63	0.7
<b>Total current liabilities</b>		<b>1 151</b>	<b>11.7</b>	1 020	11.9
<b>Total liabilities</b>		<b>1 734</b>	<b>17.7</b>	1 513	17.6
<b>Total equity and liabilities</b>		<b>9 805</b>	<b>100.0</b>	8 614	100.0

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

## Consolidated statement of cash flows

	Notes	2011 CHF million	2010 CHF million
<b>Operating activities</b>			
Net income		1 276	1 080
Reversal of non-cash items	(27a)	598	558
Changes in working capital and other items included in operating cash flow	(27b)	-855	-63
Dividends received from associated companies	(13)	8	2
Interest paid		-4	-5
Interest received		7	6
Income tax paid	(7c)	-325	-225
<b>Cash flow from operating activities</b>		<b>705</b>	<b>1 353</b>
<b>Investing activities</b>			
Investments in tangible assets	(10, 11)	-365	-265
Proceeds from sale of tangible assets		17	10
Investments in intangible assets	(12)	-28	-26
Proceeds from sale of intangible assets		-	5
Investments in other non-current assets	(15)	-122	-10
Proceeds from sale of other non-current assets		2	4
Acquisition of subsidiaries – net of cash	(14)	-7	-4
Divestments of businesses	(14)	-	12
Investments in associated companies and joint ventures	(13)	-24	-30
Divestments of associated companies and joint ventures		2	-
Purchase of marketable securities		-229	-246
Sale of marketable securities		193	221
<b>Cash flow from investing activities</b>		<b>-561</b>	<b>-329</b>
<b>Financing activities</b>			
Dividend paid to shareholders	(9)	-270	-210
Dividend paid to non-controlling interests		-4	-3
Purchase of treasury shares	(21b)	-54	-
Sale of treasury shares		1	1
Change in non-current financial debts		-8	-5
Change in current financial debts		-15	-27
Repurchase of non-controlling interests	(14)	-	-5
<b>Cash flow from financing activities</b>		<b>-350</b>	<b>-249</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>-3</b>	<b>-48</b>
<b>Change in cash and cash equivalents</b>		<b>-209</b>	<b>727</b>
<b>Change in cash and cash equivalents</b>			
– At beginning of year		1 825	1 098
– At end of year	(20)	1 616	1 825

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)	Treasury shares (Note 21)	Other reserves (Note 21)	Retained earnings <sup>1)</sup>			
<b>Balance at 31.12.2009</b>	<b>125</b>	<b>-629</b>	<b>-133</b>	<b>6 602</b>	<b>5 965</b>	<b>16</b>	<b>5 981</b>
<b>Total comprehensive income 2010</b>			<b>-138</b>	<b>1 074</b>	<b>936</b>	<b>6</b>	<b>942</b>
Dividends paid				-210	-210	-3	-213
Share-based compensation (Note 28):							
– Value of employee services (net of tax)				10	10		10
– Proceeds from sale of shares				1	1		1
Conversion of convertible bond at maturity (Note 22)		336	-15	64	385		385
Changes in non-controlling interests (Note 14)					0	-5	-5
<b>Balance at 31.12.2010</b>	<b>125</b>	<b>-293</b>	<b>-286</b>	<b>7 541</b>	<b>7 087</b>	<b>14</b>	<b>7 101</b>
<b>Total comprehensive income 2011</b>			<b>6</b>	<b>1 269</b>	<b>1 275</b>	<b>7</b>	<b>1 282</b>
Dividends paid				-270	-270	-4	-274
Share-based compensation (Note 28):							
– Value of employee services (net of tax)				15	15		15
– Proceeds from sale of shares				1	1		1
Repurchase of treasury shares		-54			-54		-54
<b>Balance at 31.12.2011</b>	<b>125</b>	<b>-347</b>	<b>-280</b>	<b>8 556</b>	<b>8 054</b>	<b>17</b>	<b>8 071</b>

<sup>1)</sup> Historical capital reserves amounting to CHF 213 million were reclassified retroactively as at 31.12.2009 into retained earnings.

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 vertical integration 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 on 17 February 2012 and will be submitted to the Annual General Meeting of Shareholders for approval on 16 May 2012.

## 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). 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.

## Notes to the consolidated financial statements

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.

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 2011, the Group's consolidated financial statements included 155 legal entities (compared with 159 in the previous year), of which one was a joint venture (two in 2010) and seven were associates (seven in 2010). 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 2011. The principal effects of these changes in policies are described below.

#### IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The new standard was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group adopted this standard early, on 1 January 2011, with retrospective application. As all the Group's investments are classified as financial assets at fair value through profit or loss (FVTPL) and none of the Group's financial liabilities are designated as at FVTPL, the early adoption has no impact in terms of valuation on the consolidated income statement and balance sheet at 31 December 2010 and 2011. The only effect resulting from the assessment of financial instruments at the date of initial application of IFRS 9 (1 January 2010) was the reclassification of financial assets previously designated at FVTPL in the category financial assets at fair value, within marketable securities (Note 19).

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

- IAS 24 (amendment) Related party disclosures (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 (effective from 1 January 2011)

## Notes to the consolidated financial statements

### **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 2011 that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but which the Group has not early adopted.

The principal expected effects of these changes are as follows:

#### **IAS 19 (amendment) Employee benefits (effective from 1 January 2013)**

The main change of the amended IAS 19 is the elimination of the corridor approach, with all actuarial gains and losses immediately recognized in other comprehensive income. Interest cost and expected return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. Also, disclosure requirements have been substantially expanded. The revised standard will have to be applied retrospectively. The Group is currently analyzing the impact of the revised standard on the financial statements. The restatement of 2012 figures will have a negative impact on Group equity, as the currently unrecognized actuarial losses will be recognized as pension liabilities in the balance sheet and charged to equity. Going forward, there will be an increased volatility of the balance sheet and other comprehensive income. Pension costs are expected to increase.

#### **IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of interests in other entities, IAS 27 (revised) Separate financial statements, IAS 28 (revised) Investments in associates and joint ventures (effective from 1 January 2013)**

These new and revised standards relate to the IASB project on consolidation, which was finalized in May 2011. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation of all types of entities. It replaces IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation – Special purpose entities. IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. It supersedes IAS 31 Interests in joint ventures and SIC-13 Jointly controlled entities. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures. The new requirements are effective for financial years beginning on or after 1 January 2013. The Group is currently analyzing the impact of these changes, but does not expect any major impact on its financial statements. The accounting for joint ventures will not change, as the Group already accounts for joint ventures using the equity method.

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:

- IFRS 7 (amendment) Financial instruments: Disclosures – Transfer of financial assets (effective from 1 July 2011)
- IFRS 13 Fair value measurement (effective from 1 January 2013)
- IAS 1 (amendment) Financial statement presentation – Other comprehensive income (effective from 1 July 2012)
- IAS 12 (amendment) Income taxes – Deferred tax: Recovery of underlying assets (effective from 1 January 2012)



## Notes to the consolidated financial statements

### d. Segment reporting

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

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

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

The reportable operating segments derive their revenue mainly from the manufacture and sale of products to third parties or to other segments.

Corporate services do not qualify as segment according to IFRS 8 but are shown separately. They include the activities of the Group's holding, finance, research and development, real estate and several other companies. None of these activities are 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. Centralized costs relating to Group Management, Corporate Communication, Group Human Resources, Corporate Finance, Treasury, Tax and Legal Services are not reallocated to the operating segments and remain in «Corporate».

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.

## Notes to the consolidated financial statements

### 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.

The main exchange rates used are:

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2011	31.12.2011	2010	31.12.2010
		CHF	CHF	CHF	CHF
CNY	1	0.1376	0.1497	0.1544	0.1425
EUR	1	1.2383	1.2190	1.3754	1.2540
HKD	1	0.1140	0.1213	0.1345	0.1210
JPY	100	1.1163	1.2160	1.1980	1.1540
USD	1	0.8874	0.9425	1.0443	0.9400

### f. Revenue recognition

Revenue is recognized as follows:

#### Goods and services

The Group records invoiced gross amounts for the sale of goods and services, net of value-added tax, as gross sales. Any differences between the gross sales price invoiced and the net sales price actually agreed to be paid, such as rebates and other discounts, are recorded as sales reductions. Net sales comprise the fair value for the sale of goods and services and represent revenue.

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.

## Notes to the consolidated financial statements

### 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.

### 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).



## Notes to the consolidated financial statements

### 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 (maximum five years).
- 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 with definite useful life and amortized to the expected residual value. 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).

### 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 (FVTPL). Financial assets carried at FVTPL 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 as well as financial assets at amortized cost. The classification depends on the Group's business model for managing the investments and the contractual cash flow characteristics of the financial assets.

#### Financial assets at amortized cost

A financial asset is classified as measured at amortized cost if both of the two following criteria are met: the financial asset is held within a business model whose objective is to hold these assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category consists of trade receivables, other current receivables, security deposits as well as other financial assets.

#### Financial assets at fair value

If either of the two criteria for financial assets at amortized cost are not met, the financial asset is classified as measured at FVTPL. All realized and unrealized gains and losses arising from changes in the fair value are recognized in the income statement. This category consists of marketable securities and derivative financial instruments.

The Group has not designated any investment as measured at FVTPL to eliminate or significantly reduce an accounting mismatch.

## Notes to the consolidated financial statements

### **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 net 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.

### **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.

## Notes to the consolidated financial statements

### 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.

### 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.

## Notes to the consolidated financial statements

### t. Pensions and other post-employment benefits

#### Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Group pension plans in Switzerland are accounted for as defined benefit plans.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The net asset / liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

#### Other post-employment benefits

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

#### Termination benefits

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

### 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.



## Notes to the consolidated financial statements

### 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).

### 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. The changes in the segment structure with an impact on comparative segment information are described in Note 5a.

# 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:

	31.12.2011			31.12.2010		
	Change on exchange rate	Income statement CHF million		Change on exchange rate	Income statement CHF million	
Currency	+ / -	+	-	+ / -	+	-
CNY / CHF	5%	2	-4	5%	3	-3
EUR / CHF	5%	7	-7	5%	12	-8
HKD / CHF	5%	0	0	5%	0	0
JPY / CHF	5%	-1	0	5%	1	0
USD / CHF	5%	-1	-1	5%	5	-5

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 15% 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 2011, over 90% (2010: 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	31.12.2011			31.12.2010		
	Change on index	Income statement		Change on index	Income statement	
	+ / -	CHF million		+ / -	CHF million	
Dow Jones EURO STOXX 50	5%	1	-1	5%	2	-2
SMI + SPI	5%	3	-3	5%	3	-3

Earnings after tax for the year would increase/decrease as a result of gains/losses on equity securities measured 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 measured 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 2011, an increase of interest rates by 100 basis points would have reduced Group profit after tax by CHF 9 million (2010: CHF 11 million). On the other hand, a decrease of interest rates by 100 basis points would have increased Group profit after tax by CHF 9 million (2010: CHF 11 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 2011, over 99% of investments in bonds were investment grade rated (2010: over 95%). An exception in the overall fixed income management is the high yield portfolio in liquidation, which amounted to less than CHF 1 million in 2011 (2010: about CHF 10 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)	31.12.2011	31.12.2010
Cash and cash equivalents	1 616	1 827
Marketable securities	553	538
<b>Liquidity reserves</b>	<b>2 169</b>	<b>2 365</b>
Committed credit facilities	392	405
./. Utilized credit facilities	-83	-103
<b>Total liquidity reserves and undrawn credit facilities</b>	<b>2 478</b>	<b>2 667</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	30	51
Trade payables	400	–	–
Other payables	103	–	–
Current financial debts	14	–	–
Derivative financial instruments	4	–	–
<b>Total at 31.12.2011</b>	<b>523</b>	<b>30</b>	<b>51</b>
Non-current financial debts	2	31	56
Trade payables	291	–	–
Other payables	101	–	–
Current financial debts	31	–	–
Derivative financial instruments	0	–	–
Total at 31.12.2010	425	31	56



## Notes to the consolidated financial statements

### b. Fair value disclosures

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

(CHF million)	31.12.2011		31.12.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Security deposits (Note 15)	37	37	29	29
Other financial assets (Note 15)	116	116	5	5
Trade receivables (Note 17)	894	894	716	716
Other current receivables (Note 18)	148	148	113	113
<b>Financial assets at amortized cost</b>	<b>1 195</b>	<b>1 195</b>	863	863
Marketable securities at fair value	553	553	538	538
Derivative financial assets	0	0	4	4
<b>Financial assets at fair value (Note 19)</b>	<b>553</b>	<b>553</b>	542	542
Cash and cash equivalents (Note 20)	1 616	1 616	1 827	1 827
<b>Cash and cash equivalents</b>	<b>1 616</b>	<b>1 616</b>	1 827	1 827
<b>Total financial assets</b>	<b>3 364</b>	<b>3 364</b>	3 232	3 232
Non-current financial debts (Note 22)	73	77	77	78
Trade payables	400	400	291	291
Other payables (Note 25)	103	103	101	101
Current financial debts (Note 22)	14	14	31	31
<b>Financial liabilities at amortized cost</b>	<b>590</b>	<b>594</b>	500	501
Derivative financial instruments (Note 22)	4	4	0	0
<b>Financial liabilities at fair value</b>	<b>4</b>	<b>4</b>	0	0
<b>Total financial liabilities</b>	<b>594</b>	<b>598</b>	500	501

The Group has established the following fair value hierarchy that reflects the significance of inputs used in making the fair value measurements:

- Level 1: quoted prices in active markets for identical assets and liabilities
- Level 2: observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3: unobservable inputs

The following table summarizes the Group's financial assets and liabilities at fair value, by valuation method:

(CHF million)	31.12.2011				31.12.2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable securities at fair value	537	–	16	553	525	–	13	538
Derivative financial assets	–	0	–	0	–	4	–	4
<b>Financial assets at fair value</b>	<b>537</b>	<b>0</b>	<b>16</b>	<b>553</b>	525	4	13	542
Derivative financial instruments	–	4	–	4	–	0	–	0
<b>Financial liabilities at fair value</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>	–	0	–	0

Financial assets at fair value categorized in level 3 consist of the Group's private equity investments. In 2011 and 2010, there were no material purchases, sales or transfers in this category.

## Notes to the consolidated financial statements

### c. 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 2011, equity represented 82.3% (31 December 2010: 82.4%) 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 2011, inventories total CHF 3 671 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 2011, the Group recorded write-downs of CHF 40 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 2011, gross trade receivables amounted to CHF 912 million and the allowance for impaired receivables to CHF 18 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 1 665 million as disclosed in Note 10, and intangible assets (including goodwill) amounting to CHF 328 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 80 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

### Pension benefits

The present value of the Group's pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions. The assumptions used in determining the net cost for pensions include the discount rate, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases. Any changes in these assumptions would impact the carrying amount of pension obligations. Due to the long-term nature of the pension plans, such estimates are subject to significant uncertainty.

### Legal claims

Some Group companies are involved in litigation and disputes arising from the ordinary course of their business. Legal provisions at 31 December 2011 total CHF 6 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.

## Notes to the consolidated financial statements

### 5. Segment information

#### a. Restatement of segment information

In the period under review, in connection with an optimization of corporate structures, Manufacture Favre et Perret SA was absorbed by Montres Breguet SA. This resulted in a transfer of the activities of Manufacture Favre et Perret SA from the Production segment to the Watches & Jewelry segment.

Furthermore, in order to provide a more transparent presentation of the economic performance of the operating segments in the internal reporting system and a better benchmark to the most important competitors, Group Management decided that centralized costs are no longer allocated to the operating segments, but remain as unallocated amounts in «Corporate».

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

2010 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Total
<b>Operating profit as reported</b>	<b>1 221</b>	<b>169</b>	<b>57</b>	<b>-11</b>	<b>1 436</b>
Absorption of Favre et Perret by					
Montres Breguet	-11	11	-	-	-
Allocation of corporate costs	37	16	4	-57	-
<b>Operating profit restated</b>	<b>1 247</b>	<b>196</b>	<b>61</b>	<b>-68</b>	<b>1 436</b>

As a result of the absorption of Manufacture Favre et Perret SA by Montres Breguet SA, there was an immaterial shift in segment sales, segment assets and segment liabilities from the Production to the Watches & Jewelry segment. The segment information for 2010 has been adjusted accordingly. The consolidated figures for the Group have not been affected by these changes.

#### b. Operating segment information

##### Income statement

2011 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
- Third parties	6 309	518	308	8		7 143
- Group	3	1 497	28	4	-1 532	-
<b>Gross sales</b>	<b>6 312</b>	<b>2 015</b>	<b>336</b>	<b>12</b>	<b>-1 532</b>	<b>7 143</b>
- Third parties	5 950	500	306	8		6 764
- Group	3	1 472	28	4	-1 507	-
<b>Net sales</b>	<b>5 953</b>	<b>1 972</b>	<b>334</b>	<b>12</b>	<b>-1 507</b>	<b>6 764</b>
<b>Operating profit</b>	<b>1 352</b>	<b>322</b>	<b>13</b>	<b>-73</b>	<b>-</b>	<b>1 614</b>
- As a % of net sales	22.7	16.3	3.9			23.9
- As a % of total	83.8	19.9	0.8	-4.5		100.0

2010 (CHF million)	Watches & Jewelry <sup>1)</sup>	Production <sup>1)</sup>	Electronic Systems	Corporate	Elimination	Total
- Third parties	5 528	488	416	8		6 440
- Group <sup>1)</sup>	4	1 032	24	3	-1 063	-
Gross sales	5 532	1 520	440	11	-1 063	6 440
- Third parties	5 221	467	412	8		6 108
- Group <sup>1)</sup>	4	1 001	24	3	-1 032	-
Net sales	5 225	1 468	436	11	-1 032	6 108
Operating profit <sup>1)</sup>	1 247	196	61	-68	-	1 436
- As a % of net sales	23.9	13.4	14.0			23.5
- As a % of total	86.8	13.7	4.2	-4.7		100.0

<sup>1)</sup>restated following changes in Group structure and retroactive adjustments to segment information (refer to Note 5a)



## Notes to the consolidated financial statements

### Balance sheet and other information

2011 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>						
– Segment assets	5 774	1 920	582	3 213	–1 875	9 614
– Equity in associated companies and joint ventures	6	0	–	185		191
<b>Total assets</b>	<b>5 780</b>	<b>1 920</b>	<b>582</b>	<b>3 398</b>	<b>–1 875</b>	<b>9 805</b>
<b>Total liabilities</b>	<b>–2 013</b>	<b>–669</b>	<b>–108</b>	<b>–819</b>	<b>1 875</b>	<b>–1 734</b>
<b>Net assets</b>	<b>3 767</b>	<b>1 251</b>	<b>474</b>	<b>2 579</b>	<b>–</b>	<b>8 071</b>

### Other information

Investments in tangible assets	125	229	9	13		376
Investments in intangible assets	17	3	3	5		28
Investments in other non-current assets	14	0	0	112		126
Depreciation on tangible assets	–67	–107	–29	–7		–210
Amortization on intangible assets	–10	–5	–2	–2		–19
Impairment charges	–	–	–	–		–
Interest income	4	0	1	17	–15	7
Interest expenses	–11	–4	0	–3	15	–3
Share of result from associates and joint ventures	1	0	–	5		6
Income taxes	–272	–59	–1	–3		–335

2010 (CHF million)	Watches & Jewelry <sup>1)</sup>	Production <sup>1)</sup>	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>						
– Segment assets	5 117	1 639	623	3 095	–2 029	8 445
– Equity in associated companies and joint ventures	5	0	–	164		169
<b>Total assets</b>	<b>5 122</b>	<b>1 639</b>	<b>623</b>	<b>3 259</b>	<b>–2 029</b>	<b>8 614</b>
<b>Total liabilities</b>	<b>–1 803</b>	<b>–542</b>	<b>–99</b>	<b>–1 098</b>	<b>2 029</b>	<b>–1 513</b>
<b>Net assets</b>	<b>3 319</b>	<b>1 097</b>	<b>524</b>	<b>2 161</b>	<b>–</b>	<b>7 101</b>

### Other information

Investments in tangible assets	102	121	9	23		255
Investments in intangible assets	21	3	1	1		26
Investments in other non-current assets	10	0	–	0		10
Depreciation on tangible assets	–65	–105	–29	–7		–206
Amortization on intangible assets	–9	–4	–2	–1		–16
Impairment charges	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	–	8		9
Income taxes	–268	–37	–7	–6		–318

<sup>1)</sup>restated following changes in Group structure and retroactive adjustments to segment information (refer to Note 5a)

## Notes to the consolidated financial statements

### c. Information on geographical regions

(CHF million)	2011		2010	
	Net sales	Non-current assets	Net sales	Non-current assets
Switzerland	902	1 566	892	1 417
Other Europe	1 561	249	1 520	229
Total Europe	2 463	1 815	2 412	1 646
Greater China	2 569	282	2 037	156
Other Asia	1 083	236	1 062	234
Total Asia	3 652	518	3 099	390
Total America	535	51	478	31
Total Oceania	73	4	70	2
Total Africa	41	3	49	3
<b>Total</b>	<b>6 764</b>	<b>2 391</b>	<b>6 108</b>	<b>2 072</b>

Non current assets under the caption "Other Asia" include CHF 204 million (previous year: CHF 197 million) relating to Japan, consisting mainly of the investment in the N. G. Hayek Building in Tokyo.

### d. Significant customers

The Group has a large number of customers worldwide. In 2011, one specific external customer of the Watches & Jewelry segment accounted for 10.8% of the Group's net sales (previous year: no single external customer accounted 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>2011</b>	2010
Sale of goods		<b>6 733</b>	6 052
Rendering of services		<b>31</b>	56
<b>Total net sales</b>		<b>6 764</b>	6 108

**b. Other operating income** In 2011, other operating income amounted to CHF 88 million (2010: CHF 139 million). The decrease is mainly due to the timekeeping services rendered in 2010 for the Olympics.

<b>c. Personnel expense</b>	(CHF million)	<b>2011</b>	2010
Wages and salaries		<b>1 481</b>	1 355
Social security costs		<b>232</b>	220
Share-based compensation (Note 28)		<b>16</b>	10
Pension costs – defined benefit plans (Note 23)		<b>82</b>	43
Pension costs – defined contribution plans (Note 23)		<b>7</b>	6
Other post-employment benefits (Note 23)		<b>0</b>	0
<b>Total personnel expense</b>		<b>1 818</b>	1 634

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

(Unaudited)	<b>2011</b>	2010
<b>Average annual headcount</b>	<b>26 777</b>	24 240
<b>Total headcount at 31 December</b>	<b>28 028</b>	25 197
Men	<b>12 505</b>	11 276
Women	<b>15 523</b>	13 921
Swiss contracts	<b>14 696</b>	13 357
Non-Swiss contracts	<b>13 332</b>	11 840

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>2011</b>	2010
Marketing, sales and administration		<b>948</b>	863
Subcontracting and other direct costs of sales		<b>287</b>	281
Maintenance, rents and energy		<b>487</b>	426
Other operating expenses		<b>47</b>	111
<b>Total other operating expenses</b>		<b>1 769</b>	1 681

**e. Research and development costs** Research and development (R&D) costs amounted to CHF 160 million in 2011, representing 2.4% of net sales (compared with CHF 151 million or 2.5% in 2010).

<b>f. Net financial result</b>	(CHF million)	<b>2011</b>	2010
Interest income		<b>7</b>	4
Result from marketable securities at fair value and derivatives		<b>-4</b>	30
Net result from investment property		<b>5</b>	0
Net currency result		<b>-10</b>	-73
Other financial expense		<b>-4</b>	-3
<b>Other financial income and expense</b>		<b>-6</b>	-42
Interest on convertible bond		<b>-</b>	0
Other interest		<b>-3</b>	-5
<b>Interest expense</b>		<b>-3</b>	-5
<b>Share of result from associates and joint ventures</b>		<b>6</b>	9
<b>Net financial result</b>		<b>-3</b>	-38

## Notes to the consolidated financial statements

### 7. Income taxes

a. Income tax expenses	(CHF million)	2011	2010
Current income taxes		278	320
Adjustments recognized for current income taxes of prior periods		2	1
Deferred taxes		55	-3
<b>Total income taxes</b>		<b>335</b>	<b>318</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.

	2011	2010
	%	%
Group's average expected tax rate	20.1	21.4
Tax effect of:		
- Change in the applicable tax rate on temporary differences	-0.4	-0.1
- Recognition of tax losses not recognized in prior years	-0.2	0.0
- Utilization of previously unrecognized tax losses	-0.2	-0.1
- Unrecognized current year tax losses	0.5	1.0
- Non-taxable income	-0.2	-0.2
- Non-tax-deductible expenses	0.9	0.7
- Items taxable at reduced rates	-0.4	-0.4
- Adjustments recognized for current taxes of prior periods	0.1	0.1
- Other items	0.6	0.4
<b>Group's effective tax rate</b>	<b>20.8</b>	<b>22.8</b>

c. Current income tax	(CHF million)	2011	2010
<b>Net current income tax liability</b>			
<b>Balance at 1 January</b>		-144	-52
Recognized in income statement		-280	-321
Recognized in equity		0	0
Income taxes paid		325	225
Translation differences		1	4
<b>Balance at 31 December</b>		<b>-98</b>	<b>-144</b>
thereof current income tax assets		24	12
thereof current income tax liabilities		-122	-156

**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 deferred tax assets and liabilities relate to the following balance sheet items:

(CHF million)	31.12.2011			31.12.2010		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	190	-282	-92	157	-224	-67
Trade and other receivables	5	-19	-14	4	-13	-9
Property, plant and equipment	9	-93	-84	11	-80	-69
Intangible assets	2	-5	-3	3	-7	-4
Provisions	12	-34	-22	6	-20	-14
Retirement benefit obligations	5	-16	-11	3	-19	-16
Tax losses	27	-	27	33	-	33
Other	34	-23	11	26	-14	12
<b>Total deferred tax assets (liabilities)</b>	<b>284</b>	<b>-472</b>	<b>-188</b>	<b>243</b>	<b>-377</b>	<b>-134</b>
Deferred tax assets on the balance sheet			241			219
Deferred tax liabilities on the balance sheet			-429			-353



## Notes to the consolidated financial statements

Deferred tax assets and liabilities have changed as follows:

	<b>Balance at 31.12.2010</b>	Recognized in income statement	Business combinations	Foreign currency translation adjustments	<b>Balance at 31.12.2011</b>
(CHF million)					
Inventories	-67	-26	-	1	-92
Trade and other receivables	-9	-5	0	0	-14
Property, plant and equipment	-69	-14	-1	0	-84
Intangible assets	-4	1	0	0	-3
Provisions	-14	-9	0	1	-22
Retirement benefit obligations	-16	5	-	0	-11
Tax losses	33	-6	-	0	27
Other	12	-1	0	0	11
<b>Total deferred tax assets (liabilities)</b>	<b>-134</b>	<b>-55</b>	<b>-1</b>	<b>2</b>	<b>-188</b>

	Balance at 31.12.2009	Recognized in income statement	Business combinations	Foreign currency translation adjustments	Balance at 31.12.2010
(CHF million)					
Inventories	-66	4	0	-5	-67
Trade and other receivables	-7	-2	0	0	-9
Property, plant and equipment	-65	-4	0	0	-69
Intangible assets	0	-3	0	-1	-4
Provisions	-11	-3	0	0	-14
Retirement benefit obligations	-10	-6	0	0	-16
Tax losses	37	-1	0	-3	33
Other	-6	18	0	0	12
<b>Total deferred tax assets (liabilities)</b>	<b>-128</b>	<b>3</b>	<b>0</b>	<b>-9</b>	<b>-134</b>

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 not expected to reverse in the foreseeable future, amounted to CHF 801 million (previous year: CHF 828 million).

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)	<b>Not recognized</b>	<b>Recognized</b>	<b>Total 2011</b>
One year	7	5	12
Two years	11	5	16
Three years	19	4	23
Four years	15	10	25
Five years	21	20	41
Six years	29	15	44
More than six years	110	45	155
<b>Total at 31.12.2011</b>	<b>212</b>	<b>104</b>	<b>316</b>

(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>

## Notes to the consolidated financial statements

### 8. Earnings per share

#### a. Basic

	2011	2010
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	1 269	1 074
Percentage of registered shares outstanding in comparison with the share capital outstanding	43.8%	42.7%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	56.2%	57.3%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	556	459
Average number of shares outstanding	118 399 729	113 103 548
<b>Basic earnings per share (in CHF)</b>	<b>4.70</b>	<b>4.05</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	713	615
Average number of shares outstanding	30 335 000	30 335 000
<b>Basic earnings per share (in CHF)</b>	<b>23.50</b>	<b>20.27</b>

#### b. Diluted

	2011	2010
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	1 269	1 074
<b>Net income used to determine diluted EPS (CHF million)</b>	<b>1 269</b>	<b>1 074</b>
Percentage of diluted registered shares in comparison with the diluted share capital outstanding	43.9%	44.0%
Percentage of diluted bearer shares outstanding in comparison with the diluted share capital outstanding	56.1%	56.0%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	557	473
Average number of shares outstanding – basic (as above)	118 399 729	113 103 548
Potentially dilutive number of shares from convertible bond	0	5 804 783
Potentially dilutive number of shares from options outstanding	233 786	218 081
Average number of shares outstanding – diluted	118 633 515	119 126 412
<b>Diluted earnings per share (in CHF)</b>	<b>4.70</b>	<b>3.97</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	712	601
Average number of shares outstanding	30 335 000	30 335 000
<b>Diluted earnings per share (in CHF)</b>	<b>23.48</b>	<b>19.83</b>

### 9. Dividends paid and proposed

On 31 May 2011, the Annual General Meeting approved the distribution of a dividend of CHF 1.00 per registered share and CHF 5.00 per bearer share. The distribution to holders of outstanding shares totaled CHF 270 million (2010: CHF 210 million) and has been recorded against retained earnings in 2011.

At the Annual General Meeting on 16 May 2012, payment of the following dividends for 2011 will be proposed:

	Registered	Bearer
Dividend per share	CHF 1.15	CHF 5.75
Total dividend	CHF 142 651 750	CHF 177 330 000

The financial statements ending 31 December 2011 do not take into account this proposed dividend. Dividends will be treated as a distribution of available earnings during the financial year 2012.

## 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 2011</b>	<b>1 145</b>	<b>2 553</b>	<b>362</b>	<b>14</b>	<b>4 074</b>
Translation differences	9	-4	-2	0	3
Business combinations (Note 14)	3	1	-	-	4
Divestments of businesses (Note 14)	-	-	-	-	-
Additions	45	250	60	21	376
Disposals	-1	-83	-13	0	-97
Transfers	10	14	-14	-7	3
<b>Historical cost, 31 December 2011</b>	<b>1 211</b>	<b>2 731</b>	<b>393</b>	<b>28</b>	<b>4 363</b>
<b>Accumulated depreciation, 1 January 2011</b>	<b>-515</b>	<b>-1 851</b>	<b>-220</b>	<b>0</b>	<b>-2 586</b>
Translation differences	0	6	1	0	7
Annual depreciation	-24	-153	-32	-	-209
Impairment	-	0	-	-	0
Depreciation on disposals	0	80	13	-	93
Depreciation on divestments of businesses	-	-	-	-	-
Transfers	-1	-7	5	-	-3
<b>Accumulated depreciation, 31 December 2011</b>	<b>-540</b>	<b>-1 925</b>	<b>-233</b>	<b>0</b>	<b>-2 698</b>
<b>Net book value, 31 December 2011</b>	<b>671</b>	<b>806</b>	<b>160</b>	<b>28</b>	<b>1 665</b>
Insured value					5 171
Net book value of property, plant and equipment under finance lease contracts					0
Total non-current assets pledged to guarantee the commitments of Group companies					77

	Land and buildings	Plant and machinery	Other fixtures and fittings	Advances and construction in progress	Total
(CHF million)					
Historical cost, 1 January 2010	1 130	2 715	392	9	4 246
Translation differences	-3	-31	-12	0	-46
Business combinations (Note 14)	-	1	0	-	1
Divestments of businesses (Note 14)	-	-9	-1	0	-10
Additions	33	169	37	15	254
Disposals	-4	-58	-19	0	-81
Derecognized items	-13	-230	-46	-	-289
Transfers	2	-4	11	-10	-1
Historical cost, 31 December 2010	1 145	2 553	362	14	4 074
Accumulated depreciation, 1 January 2010	-507	-2 024	-255	0	-2 786
Translation differences	2	23	9	-	34
Annual depreciation	-23	-147	-35	-	-205
Impairment	-	-	-	-	-
Depreciation on disposals	0	57	18	-	75
Depreciation on divestments of businesses	-	7	1	-	8
Depreciation on derecognized items	13	230	46	-	289
Transfers	-	3	-4	-	-1
Accumulated depreciation, 31 December 2010	-515	-1 851	-220	0	-2 586
<b>Net book value, 31 December 2010</b>	<b>630</b>	<b>702</b>	<b>142</b>	<b>14</b>	<b>1 488</b>
Insured value					5 183
Net book value of property, plant and equipment under finance lease contracts					0
Total non-current assets pledged to guarantee the commitments of Group companies					81

## Notes to the consolidated financial statements

### 11. Investment property

(CHF million)	2011	2010
<b>Historical cost, 1 January</b>	<b>63</b>	68
Translation differences	0	0
Additions	0	1
Disposals	-15	-7
Transfers	0	1
<b>Historical cost, 31 December</b>	<b>48</b>	63
<b>Accumulated depreciation, 1 January</b>	<b>-22</b>	-29
Translation differences	0	0
Annual depreciation	-1	-1
Impairment	-	-
Depreciation on disposals	6	7
Transfers	0	1
<b>Accumulated depreciation, 31 December</b>	<b>-17</b>	-22
<b>Net book value, 31 December</b>	<b>31</b>	41
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 58 million at 31 December 2011 compared to CHF 77 million at 31 December 2010. 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 2011</b>	<b>207</b>	<b>59</b>	<b>157</b>	<b>423</b>
Translation differences	-1	0	-1	-2
Business combinations (Note 14)	2	0	2	4
Additions	-	15	13	28
Disposals	-	-	-2	-2
Transfers	-	0	0	0
<b>Historical cost, 31 December 2011</b>	<b>208</b>	<b>74</b>	<b>169</b>	<b>451</b>
<b>Accumulated amortization, 1 January 2011</b>	<b>-</b>	<b>-20</b>	<b>-86</b>	<b>-106</b>
Translation differences	-	0	0	0
Annual amortization	-	-8	-11	-19
Impairment	-	-	-	-
Amortization on disposals	-	0	2	2
Transfers	-	0	0	0
<b>Accumulated amortization, 31 December 2011</b>	<b>-</b>	<b>-28</b>	<b>-95</b>	<b>-123</b>
<b>Net book value, 31 December 2011</b>	<b>208</b>	<b>46</b>	<b>74</b>	<b>328</b>

	Goodwill	Capitalized development costs	Other intangible assets	Total
(CHF million)				
Historical cost, 1 January 2010	206	53	163	422
Translation differences	-2	-1	-11	-14
Business combinations (Note 14)	3	-	0	3
Divestments of businesses (Note 14)	-	-1	-1	-2
Additions	-	12	14	26
Disposals	-	-4	-8	-12
Historical cost, 31 December 2010	207	59	157	423
<b>Accumulated amortization, 1 January 2010</b>	<b>-</b>	<b>-18</b>	<b>-84</b>	<b>-102</b>
Translation differences	-	0	3	3
Annual amortization	-	-6	-10	-16
Impairment	-	0	0	0
Amortization on disposals	-	3	4	7
Amortization on divestments of businesses	-	1	1	2
<b>Accumulated amortization, 31 December 2010</b>	<b>-</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>

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)	31.12.2011	31.12.2010
Watches & Jewelry	159	159
Production	39	38
Electronic Systems	10	10
<b>Total</b>	<b>208</b>	<b>207</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

	2011			2010		
	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	50%-61%	28%-30%	25%-32%	51%-62%	26%-29%	32%-35%
Pre-tax discount rate	8.3%	9.7%	10.0%	8.6%	9.9%	10.3%

No impairment charge for goodwill had to be recorded in 2011 and 2010. 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)	2011	2010
<b>Balance at 1 January</b>	<b>169</b>	<b>139</b>
Share of result from associates and joint ventures	6	9
Dividends received	-8	-2
Investments	24	28
Divestments	-1	-
Translation differences	1	-5
<b>Balance at 31 December</b>	<b>191</b>	<b>169</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.

In 2011, the Group acquired a 33.3% stake in Alzouman General Trading Co. Ltd. in Jeddah, Saudi Arabia. The company sells Swatch and Flik Flak brands exclusively through its own stores in prime retail locations in Saudi Arabia. The acquisition is considered as an associate. Furthermore, the Group divested its stake in the associate Terbival SA and in the joint venture Time Sales Inc.

Investments in 2010 related in part to an increase in the stake in Hengdeli Holdings from 8.92% to 9.05%. In addition, 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 2011, the fair value of the investment in Hengdeli Holdings was CHF 122 million (2010: CHF 225 million). Sales to and purchases from associates and joint ventures amounted to CHF 849 million (2010: CHF 584 million) and CHF 14 million (2010: CHF 10 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)	31.12.2011	31.12.2010
Assets	211	162
Liabilities	106	70
Revenues	202	167
Net income	6	9

At the balance sheet date, there were no contingent liabilities of associates and joint ventures (previous year: CHF 1 million).

### 14. Business combinations

In January 2011, the Group acquired 100% of Novi SA, an assembler of watch movements located in the canton of Jura (Switzerland).

In 2010, the business activities of Tanzarella Ltd, a small entity in Southern Switzerland active in the assembly of watch movements, were acquired. Net assets were transferred into the newly founded company Assemti 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	2011 Fair value	2010 Fair value
Property, plant and equipment	(10)	4	1
Intangible assets	(12)	2	–
Current assets		1	1
Cash and cash equivalents		6	–
Provisions	(24)	0	–
Deferred tax liabilities	(7d)	–1	0
Current liabilities		–1	–2
<b>Net assets acquired</b>		<b>11</b>	<b>0</b>
Goodwill (capitalized)	(12)	2	3
<b>Total purchase consideration</b>		<b>13</b>	<b>3</b>
Cash and cash equivalents acquired		–6	–
Consideration payable		–	–
Consideration paid for prior year acquisitions		–	1
<b>Cash outflow on acquisitions</b>		<b>7</b>	<b>4</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).

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 CHF 1 million (2010: below CHF 1 million). Furthermore, if the acquisitions had taken place at 1 January 2011 (1 January 2010), there would have been no impact on the Group's revenue and profit (2010: no impact).

## Notes to the consolidated financial statements

### Divestment of businesses

There were no divestments of businesses in 2011. 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.

The net assets disposed of and the net cash inflow on divestments were as follows:

(CHF million)	Notes	2011	2010
Property, plant and equipment	(10)	–	2
Intangible assets	(12)	–	0
Goodwill	(12)	–	–
Current assets		–	24
Cash and cash equivalents		–	0
Provisions	(24)	–	0
Deferred tax liabilities	(7d)	–	–
Current liabilities		–	–16
<b>Net assets disposed of</b>		–	10
Accumulated currency translation gains recognized in equity		–	–
Profit on divestment of businesses		–	2
<b>Total disposal consideration</b>		–	12
Cash and cash equivalents disposed of		–	0
<b>Net Cash inflow on divestment</b>		–	12

### Repurchase of non-controlling interests

In 2011, the Group did not repurchase any non-controlling interests. In July 2010 the Group had 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 2011</b>	<b>24</b>	<b>29</b>	<b>5</b>	<b>87</b>	<b>145</b>
Translation differences	0	0	0	0	0
Additions	6	8	112	–	126
Disposals / decreases	–	0	–1	–10	–11
Transfers to "Other current assets"	–7	0	–	–	–7
<b>Balance at 31 December 2011</b>	<b>23</b>	<b>37</b>	<b>116</b>	<b>77</b>	<b>253</b>
Term 1–5 years	19	28	116	0	163
Term >5 years	4	9	0	77	90
<b>Balance at 31 December 2011</b>	<b>23</b>	<b>37</b>	<b>116</b>	<b>77</b>	<b>253</b>

(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	0	0	–5
Additions	5	4	1	23	33
Disposals / decreases	–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>

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». Other financial assets also include loans granted to commercial partners and associates. Security deposits as well as other financial assets are considered as financial instruments (category financial assets at amortized cost). Detail to the pension assets can be found in Note 23.

### 16. Inventories

(CHF million)	31.12.2011	31.12.2010
Raw materials	349	226
Work in progress	525	383
Semi-finished goods	1 407	1 141
Finished goods	1 201	950
Spare parts for customer service	189	169
<b>Total inventories</b>	<b>3 671</b>	<b>2 869</b>

The cost of inventories recognized as an expense in 2011 amounted to CHF 2 872 million (2010: CHF 2 577 million). Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2011, the Group recognized write-downs of CHF 42 million (previous year: CHF 26 million) and reversals of write-downs of CHF 2 million (previous year: CHF 2 million). The net impact of these adjustments was a charge to the income statement of CHF 40 million (2010: CHF 24 million).

## Notes to the consolidated financial statements

### 17. Trade receivables

(CHF million)	31.12.2011	31.12.2010
Trade receivables – gross	912	735
Allowance for impaired receivables	-18	-19
<b>Total trade receivables – net</b>	<b>894</b>	<b>716</b>

The evolution of the allowance for impaired receivables can be summarized as follows:

(CHF million)	2011	2010
<b>Balance at 1 January</b>	<b>-19</b>	<b>-19</b>
Translation differences	0	1
Utilization	1	2
Reversal	4	2
Creation	-4	-5
<b>Balance at 31 December</b>	<b>-18</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)	31.12.2011	31.12.2010
<b>Neither past due nor impaired</b>	<b>801</b>	<b>625</b>
<3 months	86	81
3–6 months	5	6
6–12 months	0	3
>12 months	2	1
<b>Total past due but not impaired</b>	<b>93</b>	<b>91</b>
<b>Total trade receivables</b>	<b>894</b>	<b>716</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)	31.12.2011	31.12.2010
CHF	193	198
CNY	206	64
EUR	185	181
HKD	66	51
JPY	72	21
USD	23	65
Other currencies	149	136
<b>Total trade receivables – net</b>	<b>894</b>	<b>716</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 holds collateral as security, and other credit enhancements to secure material trade receivables accounts.

## Notes to the consolidated financial statements

### 18. Other current assets

(CHF million)	31.12.2011	31.12.2010
<b>Other current receivables</b>		
VAT to be refunded	118	96
Other receivables	30	17
<b>Total other current receivables</b>	<b>148</b>	113
<b>Prepayments</b>		
Key money	6	6
Other prepayments and accrued income	184	150
<b>Total prepayments</b>	<b>190</b>	156
<b>Total other current assets</b>	<b>338</b>	269

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 2010). Except for prepayments, other current assets are considered as financial instruments.

### 19. Marketable securities and derivative financial instruments

(CHF million)	31.12.2011	31.12.2010
Equity securities	102	112
Bond securities	417	390
Investment funds and other investments	34	36
<b>Total marketable securities at fair value</b>	<b>553</b>	538
<b>Derivative financial instruments</b>	<b>0</b>	4
<b>Total marketable securities and derivative financial instruments</b>	<b>553</b>	542

All marketable securities and derivative financial assets are classified in the category «financial assets at fair value». 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	31.12.2011			31.12.2010		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
(CHF million)						
Forward foreign exchange rate contracts	555	–	–4	311	4	–
Currency options	–	–	–	–	–	–
Options on equity securities	–	–	–	–	–	–
<b>Total trading</b>	<b>555</b>	<b>–</b>	<b>–4</b>	<b>311</b>	<b>4</b>	<b>–</b>
Forward foreign exchange rate contracts	–	–	–	–	–	–
Currency options	–	–	–	–	–	–
<b>Total hedge accounting</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>555</b>	<b>–</b>	<b>–4</b>	<b>311</b>	<b>4</b>	<b>–</b>

## Notes to the consolidated financial statements

At the end of 2010 and 2011, 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)	2011							Total
	EUR	JPY	HKD	USD	SGD	CNY	Other	
Forward foreign exchange contracts	206	74	0	148	5	51	71	555
Currency options	-	-	-	-	-	-	-	-
Options on equity securities	-	-	-	-	-	-	-	-
<b>Total trading</b>	<b>206</b>	<b>74</b>	<b>0</b>	<b>148</b>	<b>5</b>	<b>51</b>	<b>71</b>	<b>555</b>
Forward foreign exchange contracts	-	-	-	-	-	-	-	-
Currency options	-	-	-	-	-	-	-	-
<b>Total hedge accounting</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>206</b>	<b>74</b>	<b>0</b>	<b>148</b>	<b>5</b>	<b>51</b>	<b>71</b>	<b>555</b>

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	-	-	-	-	-	-	-	-
Options on equity securities	-	-	-	-	-	-	-	-
<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	-	-	-	-	-	-	-	-
Currency options	-	-	-	-	-	-	-	-
<b>Total hedge accounting</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>

At 31 December 2011, the contracts have a term of up to one year.

## 20. Cash and cash equivalents

(CHF million)	31.12.2011	31.12.2010
Current accounts and liquid assets	920	639
Short-term deposits with financial institutions	696	1 188
<b>Total</b>	<b>1 616</b>	<b>1 827</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)	31.12.2011	31.12.2010
Cash and cash equivalents	1 616	1 827
Current account overdrafts (Note 22)	0	-2
<b>Total</b>	<b>1 616</b>	<b>1 825</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 developed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2008	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2009	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2010	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2011</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>

At year-end 2011 as well as 2010, 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 CHF million
	Quantity	Value CHF million	Quantity	Value CHF million	
<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>
Disposals <sup>1)</sup>	-230 822	0	-	-	0
Conversions	-7 895 551	-336	-	-	-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>
Acquisitions <sup>2)</sup>	870 000	54	-	-	54
Disposals <sup>1)</sup>	-237 494	0	-	-	0
<b>Balance at 31.12.2011</b>	<b>5 990 562</b>	<b>215</b>	<b>505 000</b>	<b>132</b>	<b>347</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.

<sup>2)</sup> In 2011, the Group acquired 870 000 registered shares at an average price of CHF 62.28 each, which increased the amount of treasury shares by CHF 54 million.

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

The only item in other reserves consists of foreign currency translation from foreign operations. At year-end 2011, the accumulated negative amount is CHF 280 million (previous year: negative amount of CHF 286 million).

## Notes to the consolidated financial statements

### 22. Financial debts and derivative financial instruments

(CHF million)	31.12.2011	31.12.2010
Other non-current debt	73	77
<b>Total non-current financial debts</b>	<b>73</b>	<b>77</b>
Current account overdrafts	0	2
Short-term leasing commitments	1	0
Short-term bank debt	13	29
<b>Total current financial debts</b>	<b>14</b>	<b>31</b>
Derivative financial instruments	4	0
<b>Total current financial debts and derivative financial instruments</b>	<b>18</b>	<b>31</b>
<b>Total financial debts</b>	<b>91</b>	<b>108</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 31.12.2011</b>	<b>18</b>	<b>25</b>	<b>48</b>	<b>91</b>
At 31.12.2010	31	25	52	108

The carrying amounts of the Swatch Group's financial debts are denominated in the following currencies:

(CHF million)	31.12.2011	31.12.2010
Swiss Franc (CHF)	6	15
Japanese Yen (JPY)	77	89
Euro (EUR)	2	1
Other currencies	6	3
<b>Total</b>	<b>91</b>	<b>108</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 in 2010, 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 were recognized in 2010 through equity. Therefore, the total equity impact of the conversion amounted to CHF 385 million (refer to the consolidated statement of changes in equity).

The convertible bond was recognized as follows:

(CHF million)	2011	2010
<b>Liability component at 1 January</b>	–	385
Coupon interest at market rate	–	3
Conversion into registered shares	–	–387
Settlement in cash at maturity date	–	–1
<b>Liability component at 31 December</b>	<b>–</b>	<b>–</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)	2011	2010
Present value of funded obligations	-3 704	-3 543
Fair value of plan assets	3 195	3 299
<b>Excess of liabilities at 31 December</b>	<b>-509</b>	<b>-244</b>
Present value of unfunded obligations	-11	-12
Unrecognized actuarial loss	577	322
Unrecognized past-service cost	-	-
<b>Net asset in the balance sheet at 31 December</b>	<b>57</b>	<b>66</b>

#### Periodic pension cost for defined benefit plans

(CHF million)	2011	2010
Current service cost	-149	-128
Interest cost	-97	-104
Expected return on plan assets	140	134
Actuarial gains/(losses)	0	-1
Past-service cost	-36	-
Employee contributions	60	56
Gains/(losses) on curtailment	-	-
<b>Total periodic pension cost</b>	<b>-82</b>	<b>-43</b>

#### Movement in the fair value of plan assets

(CHF million)	2011	2010
<b>1 January</b>	<b>3 299</b>	<b>3 171</b>
Expected return on plan assets	140	134
Actuarial gains/(losses)	-204	42
Exchange differences	1	-5
Employer contributions	72	67
Employee contributions	60	56
Benefits paid	-173	-166
<b>31 December</b>	<b>3 195</b>	<b>3 299</b>

Pension plan assets include the company's registered shares with a fair value of CHF 428 million (2010: CHF 507 million) and the company's bearer shares with a fair value of CHF 1 million (2010: below CHF 1 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 loss of CHF 64 million (2010: gain of CHF 176 million). The Group expects to contribute CHF 74 million to its post-employment benefit plans in 2012.

## Notes to the consolidated financial statements

### Asset allocation of plan assets

	31.12.2011		31.12.2010	
	CHF million	%	CHF million	%
Equity	1 088	34.0	1 236	37.5
Bonds	999	31.3	1 002	30.4
Real estate	643	20.1	612	18.5
Other assets	465	14.6	449	13.6
<b>Total</b>	<b>3 195</b>	<b>100.0</b>	<b>3 299</b>	<b>100.0</b>

### Movement in the present value of defined benefit obligation

(CHF million)	2011	2010
<b>1 January</b>	<b>-3 555</b>	<b>-3 242</b>
Current service cost	-149	-128
Interest cost	-97	-104
Actuarial gains/(losses)	-50	-257
Exchange differences	-1	9
Benefits paid	173	167
Plan amendments	-36	-
Curtailments	0	0
Settlements	-	0
<b>31 December</b>	<b>-3 715</b>	<b>-3 555</b>

### Principal actuarial assumptions used

	2011	2010
	%	%
	Weighted average	Weighted average
Discount rate	2.50	2.75
Expected return on plan assets	4.25	4.25
Expected rates of salary increases (incl. inflation)	1.75	2.00
Future pension increases due to inflation	0.00	0.00

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)	2011	2010	2009	2008	2007
Present value of defined benefit obligation	-3 715	-3 555	-3 242	-3 139	-3 282
Fair value of plan assets	3 195	3 299	3 171	2 814	3 590
<b>Over/(under) funding</b>	<b>-520</b>	<b>-256</b>	<b>-71</b>	<b>-325</b>	<b>308</b>
Experience adjustments on plan liabilities - loss / (gain)	45	8	6	29	133
Experience adjustments on plan assets - gain / (loss)	-204	42	289	-872	39

#### 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 2011 of CHF 2 million (2010: 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 2011, these liabilities amounted to CHF 3 million (31 December 2010: CHF 5 million).

### d. Reconciliation

The reconciliation of the balance sheet amount of pension assets and retirement benefit obligations is as follows:

(CHF million)	31.12.2011	31.12.2010
Defined benefit plan asset	77	87
<b>Total pension asset (Note 15)</b>	<b>77</b>	<b>87</b>
Defined benefit plan liability	-20	-21
Other post-employment benefit obligations	-3	-5
<b>Total retirement benefit obligations</b>	<b>-23</b>	<b>-26</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 2011, these contributions amounted to CHF 7 million (CHF 6 million in 2010).

## 24. Provisions

(CHF million)	Warranties	Litigation	Other	Total
<b>Balance at 31.12.2009</b>	<b>71</b>	<b>9</b>	<b>20</b>	<b>100</b>
Translation differences	-6	0	-2	-8
Additional provisions	75	3	7	85
Reversal of provisions	-8	-2	-3	-13
Acquisitions / divestments	-	-	-	-
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>
thereof current provisions	51	4	8	63
thereof non-current provisions	23	3	11	37
Translation differences	-1	0	0	-1
Additional provisions	80	3	5	88
Reversal of provisions	-11	-2	-4	-17
Acquisitions / divestments	-	-	-	-
Provisions used during the year	-62	-2	-3	-67
<b>Balance at 31.12.2011</b>	<b>80</b>	<b>6</b>	<b>17</b>	<b>103</b>
thereof current provisions	57	4	5	66
thereof non-current provisions	23	2	12	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 liabilities

(CHF million)	31.12.2011	31.12.2010
Advance payments	15	15
VAT due	12	16
Other payables	76	70
<b>Total other payables</b>	<b>103</b>	101
<b>Accrued expenses and deferred income</b>	<b>463</b>	378
<b>Total other liabilities</b>	<b>566</b>	479
thereof other current liabilities	545	479
thereof other non-current liabilities	21	–

In order to enhance disclosures, other liabilities have been separated into a current and non-current part as of 31 December 2011. The comparative amount of other non-current liabilities amounting to CHF 12 million as of 31 December 2010 is considered as immaterial. Therefore, this amount has not been separated and is still disclosed under the position other current liabilities as of 31 December 2010.

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 liabilities are considered as financial instruments.

### 26. Commitments and contingencies

#### a. Guarantees and sureties

At 31 December 2011, 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-2010).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 37 million at 31 December 2011 (CHF 29 million at end-2010).

#### b. Leasing, rental and other commitments

Operating leasing commitments for the Group not recognized in the balance sheet are as follows:

(CHF million)	31.12.2011	31.12.2010
Less than 1 year	223	164
Between 1 and 5 years	491	374
Over 5 years	298	221
<b>Total</b>	<b>1 012</b>	759
Proportion of contracts with renewal option (% of total amount)	48.2	59.3
Maximum risk (% of total amount)	95.7	93.8

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 2011. Leasing costs amounting to CHF 225 million were recognized in the 2011 income statement (CHF 163 million in 2010). 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 2011, amounted to CHF 82 million (CHF 30 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	2011	2010
<b>Reversal of non-cash items</b>			
Share of result from associates and joint ventures	(13)	-6	-9
Income taxes	(7a)	335	318
Depreciation of tangible assets	(10, 11)	210	206
Amortization of intangible assets	(12)	19	16
Divestment gain from disposal of subsidiaries	(14)	-	-2
Profit on sale of fixed assets		-8	-6
Loss on sale of fixed assets		2	2
Fair value gains on marketable securities		-51	-20
Fair value losses on marketable securities		73	54
Interest income	(6f)	-7	-4
Interest expense	(6f)	3	5
Expenses for equity-settled equity compensation plan	(28)	16	10
Changes in provisions		4	10
Changes in pensions and other retirement benefits		8	-22
<b>Total</b>		<b>598</b>	<b>558</b>

#### b. Changes in working capital

(CHF million)	2011	2010
<b>Changes in working capital and other items included in cash flow from operating activities</b>		
Inventories	-800	-198
Trade and other receivables	-233	-51
Trade payables and other liabilities	188	141
Other items included in cash flow from operating activities	-10	45
<b>Total</b>	<b>-855</b>	<b>-63</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 2011, this portfolio comprised 1 888 220 registered shares (2 125 677 at the end of 2010). In 2011, 237 457 registered shares were exercised at a preferential price of CHF 4 per registered share.

Movements in the number of share options outstanding were as follows:

	2011	2010
	Options	Options
Options outstanding at 1 January	233 072	221 928
Granted	254 642	244 450
Forfeited or lapsed	-1 966	-2 674
Exercised	-237 457	-230 632
<b>Options outstanding at 31 December</b>	<b>248 291</b>	<b>233 072</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	
	31.12.2011	31.12.2010
2011		153 141
2012	<b>164 505</b>	79 931
2013	<b>83 786</b>	
<b>Total</b>	<b>248 291</b>	233 072

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 2011 and 2010 was based:

	2011		2010	
	Tranche exercisable in 1 year	Tranche exercisable in 2 years	Tranche exercisable in 1 year	Tranche exercisable in 2 years
Grant date	<b>5 July 2011</b>	<b>5 July 2011</b>	13 July 2010	13 July 2010
Expiration date	<b>5 July 2012</b>	<b>5 July 2013</b>	13 July 2011	13 July 2012
Closing share price on grant date	<b>CHF 78.50</b>	<b>CHF 78.50</b>	CHF 58.30	CHF 58.30
Exercise price	<b>CHF 4.00</b>	<b>CHF 4.00</b>	CHF 4.00	CHF 4.00
Volatility	<b>50.0%</b>	<b>50.0%</b>	38.6%	38.6%
Expected dividend yield	<b>CHF 1.15</b>	<b>CHF 1.15</b>	CHF 1.00	CHF 1.00
Risk-free interest rate	<b>0.44%</b>	<b>0.56%</b>	0.42%	0.65%
Market value of option at grant date	<b>CHF 73.37</b>	<b>CHF 72.25</b>	CHF 53.32	CHF 52.35

The first tranche that was immediately exercisable had the same assumptions as shown above (2011: grant date 5 July 2011, share price at grant date CHF 78.50, exercise price CHF 4.00; 2010: grant date 13 July 2010, share price at grant date CHF 58.30, exercise price CHF 4.00). The weighted average share price at exercise date was CHF 60.15 in 2011 (2010: CHF 61.54).

The personnel expense recorded in the 2011 income statement as a result of applying IFRS 2 calculation amounted to CHF 16 million (2010: CHF 10 million).

## 29. Related party transactions

### a. Principal shareholders

On 31 December 2011, the Hayek Pool and its related companies, institutions and individuals held 64 507 101 registered shares and 1 775 bearer shares, equivalent to 41.7% of the shares issued (previous year: 41.6%) 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 (previous year: 40.8%).

Mrs. Esther Grether's group controlled 7.2% of the shares issued (compared with 7.2% a year earlier).

In 2011, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 9.0 million to the Swatch Group (compared with CHF 10.1 million in 2010). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2011	2010
Audit, feasibility studies and process optimization	<b>1.3</b>	3.0
Provision of managers and filling important, vacant functions	<b>0.9</b>	1.1
Project management in the construction sector	<b>4.1</b>	3.6
Support for projects in the materials and surface treatment technology sector	<b>1.2</b>	0.5
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	<b>0.4</b>	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	<b>1.1</b>	1.5
<b>Total</b>	<b>9.0</b>	10.1



## 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)	2011	2010
Short-term employee benefits	<b>26.2</b>	26.6
– of which in salaries	<b>8.6</b>	8.6
– of which in bonus	<b>17.5</b>	17.9
– of which in other benefits	<b>0.1</b>	0.1
Post-employment benefits	<b>0.8</b>	0.8
Termination benefits	–	–
Share-based compensation	<b>10.5</b>	6.8
<b>Total</b>	<b>37.5</b>	34.2

No remuneration was paid to former members of management bodies for their former functions.

### c. Share ownership

At 31 December 2011, 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 56 396 328 registered shares and 240 bearer shares, representing 36.4% of the voting rights (previous year: 36.4%).

In addition, at 31 December 2011, all the non-executive members of the Board of Directors as well as the persons close to them held 10 963 000 registered shares and 116 000 bearer shares, representing 7.2% of the voting rights (previous year: 7.2%).

### 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 2011 and 2010, 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 2011, one loan to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 1.7% existed (2010: CHF 0.9 million at 2.6%).

### 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)	2011		2010	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	<b>14</b>	<b>849</b>	10	584
Other related parties	–	–	–	–

At the end of 2011, receivables from associates amounted to CHF 165 million (2010: CHF 55 million), and payables to associates were CHF 2 million (2010: CHF 5 million). In addition, at the end of 2011 the Group held guarantees from associated companies in the amount of CHF 136 million (2010: CHF 47 million). Furthermore, at 31 December 2011 the Group had granted loans to associated companies in the amount of USD 27 million (2010: USD 1 million) with an interest rate of 4.4% (2010: 3.25%).

At the end of 2011 and 2010 there were no balances outstanding with other related parties.

## 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<sup>bis</sup> and 663c 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. The disclosures relating to Mr. N.G. Hayek and Mrs. Nayla Hayek in 2010 are pro rata; as of July 2010 Mrs. Nayla Hayek assumed the Chair of the Board of Directors and new functions.

#### Compensation to Board of Directors and Group Management (Art. 663b<sup>bis</sup> SCO)

a. Board of Directors (BoD)	2011	Function	Compensation for functions in the BoD <sup>1)</sup>	Base compensation for executive function <sup>1)</sup>	Bonus <sup>2)</sup>	Other compensation <sup>3)</sup>	Total <sup>4)</sup>
Name			(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek		Chairwoman	179 230	1 001 568	1 300 000	1 405 258	3 886 056
Dr. Peter Gross <sup>5)</sup>		Vice-Chairman	47 867				47 867
Ernst Tanner <sup>6)</sup>		Vice-Chairman	112 886				112 886
Esther Grether		Member	104 517				104 517
Georges Nicolas Hayek <sup>7)</sup>		Member	105 430				105 430
Prof. Dr. h.c. Claude Nicollier		Member	104 517				104 517
Dr. Jean-Pierre Roth		Member	104 517				104 517
<b>Total</b>			<b>758 964</b>	<b>1 001 568</b>	<b>1 300 000</b>	<b>1 405 258</b>	<b>4 465 790</b>

	2010	Function	Compensation for functions in the BoD <sup>1)</sup>	Base compensation for executive function <sup>1)</sup>	Bonus <sup>2)</sup>	Other compensation <sup>3)</sup>	Total <sup>4)</sup>
Name			(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Dr. h.c. Nicolas G. Hayek <sup>8)</sup> (pro rata)		Chairman & Delegate		350 946	835 000	116 722	1 302 668
Nayla Hayek <sup>9)</sup> (pro rata)		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>10)</sup>		Member	88 896				88 896
Dr. Jean-Pierre Roth <sup>11)</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>

<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 2011, 20 000 share options with a value of CHF 1 342 630 were granted to Mrs. N. Hayek (2010: 15 000 share options with a value of CHF 816 045), 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 Vice-Chairman and member until May 2011.

<sup>6)</sup> BoD Vice-Chairman as of June 2011.

<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 Chairman until June 2010 (†).

<sup>9)</sup> BoD Chairwoman as of July 2010.

<sup>10)</sup> BoD Member until October 2010.

<sup>11)</sup> BoD Member as of May 2010.

## Notes to the consolidated financial statements

### b. Management Board (MB) and Extended Management Board (EMB)

2011

Name	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>
	(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Georges Nicolas Hayek (MB President / CEO)	1 489 378	3 200 000	24 000	1 611 144	62 628	6 363 150
Total other members	5 406 598	12 990 000	126 200	8 472 004	741 472	27 610 074
<b>Total</b>	<b>6 895 976</b>	<b>16 190 000</b>	<b>150 200</b>	<b>10 083 148</b>	<b>804 100</b>	<b>33 973 224</b>

2010

Name	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>
	(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>

<sup>1)</sup>Total annual base compensation paid in cash, not including any reimbursement for travel and other business expenses incurred.

<sup>2)</sup>Variable 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.

<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 2011 and 2010, 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 2011, 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 1.7% existed (2010: CHF 0.9 million at 2.6%).

In 2011 and 2010, 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 2011 and 2010, 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)	
		2011	2010	2011	2010	2011	2010
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	29 876	14 876			18 334	13 334
Dr. Peter Gross <sup>1)</sup>	BoD Vice-Chairman		7 200				
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Esther Grether	BoD Member	10 963 000	11 094 500	114 000	112 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member						
Dr. Jean-Pierre Roth	BoD Member						
Georges Nicolas Hayek	BoD Member/CEO	56 990	71 363			23 834	23 001
Arlette E. Emch	MB Member	61 334	47 334			13 000	15 000
Florence Ollivier-Lamarque	MB Member	53 534	44 000			11 668	11 002
Dr. Mougahed Darwish	MB Member	56 470	50 470			6 000	6 000
Marc A. Hayek	MB Member	56 732	46 233			11 668	9 667
Dr. Hanspeter Rentsch	MB Member/CLO	108 489	95 022	200		18 735	18 202
Roland Streule	MB Member	27 133	24 466			4 334	7 001
François Thiébaud	MB Member	72 791	62 458			11 334	9 667
Dr. Thierry Kenel	EMB Member/CFO	14 420	8 586			7 834	5 668
Matthias Breschan	EMB Member	2 166				2 668	1 834
Pierre-André Bühler	EMB Member	9 068	9 068			5 500	4 000
Yann Gamard	EMB Member	3 167				5 335	5 002
Walter von Känel	EMB Member	25 641	21 309	40	40	4 752	4 084
Thomas Meier	EMB Member	1 300				1 300	1 400
Kevin Rollenhagen	EMB Member	36 482	29 483			7 668	6 667
Dr. Peter Steiger	EMB Member	49 591	43 591			6 334	5 834
Stephen Urquhart	EMB Member	27 000	21 500			6 502	6 168
<b>Total</b>		<b>67 359 328</b>	<b>67 395 603</b>	<b>116 790</b>	<b>114 590</b>	<b>166 800</b>	<b>153 531</b>

<sup>1)</sup>BoD Vice-Chairman and member until May 2011.

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 2011 and 2010, either directly or through share options, more than 1% of the outstanding Swatch Group shares.

### 31. Events after the balance sheet date

There were no significant events after the balance sheet date.



## 32. The Swatch Group Companies – as at 31.12.2011

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 6.00	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	●	▼
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 Ruedin SA, Bassecour	Watch cases	CHF 2.40	100	●	▲
Mecco SA, Grenchen	Watch crowns	CHF 4.50	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	●	▲
Novi SA, Les Genevez	Assembly	CHF 0.14	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 Weyeremann 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'Étang 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 AG, Corgémont	Sports timing & information display systems	CHF 2.00	100	●	▶
Technocorp Holding SA, Le Locle	Holding	CHF 6.00	100	●	▼
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, Lausanne	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 31.12.2011

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	●	▲
Centre Européen de Service Horloger, Besançon	Customer service	EUR 0.70	100	●	▲
Tech Airport Développement, Paris	Retail	EUR 0.50	100	●	◀
Tech Airport Holding, Paris	Holding	EUR 31.20	100	●	◀
Tech Airport Nice, Paris	Retail	EUR 5.04	100	●	◀
Tech Airport Orly, Paris	Retail	EUR 2.83	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 0.08	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., Milano	Distribution	EUR 23.00	100	●	◀
<b>Luxembourg</b>					
The Swatch Group SICAF-SIF, 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 1.60	100	●	◀
<b>Netherlands</b>					
The Swatch Group (Netherlands) BV, Eindhoven	Distribution	EUR 3.45	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	●	◀
<b>Russia</b>					
Swiss Watch Le Prestige OOO Russia, Moscow	Distribution	RUB 0.20	100	●	◀
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 2 609.43	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	100	●	▶
The Swatch Group (CZ) Les Boutiques s.r.o., Praha	Retail	CZK 9.00	100	●	◀
<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 4.92	100	●	◀
SGB Serviços e Comércio de Peças Ltda, São Paulo	Customer service	BRL 14.04	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	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▲ Production ▶ Electronic Systems ▼ Corporate

## 32. The Swatch Group Companies – as at 31.12.2011

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 21.31	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	●	◀
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 Electric Co. Ltd, Zhuhai	Components	CNY 74.57	100	●	▲
<b>South Korea</b>					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 5 300.00	100	●	◀
<b>Saudi Arabia</b>					
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33	○	◀
<b>United Arab Emirates</b>					
Rivoli Investments L.L.C., Dubai	Retail	AED 0.30	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 1 511.26	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 1.00	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	Electronic 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 150 to 204), for the year ended 31 December 2011.

### 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 2011 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.

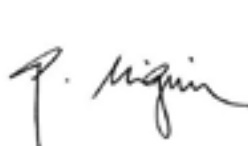
## Report on other legal requirements

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



Gerhard Siegrist  
Audit expert  
Auditor in charge



Roy Bächinger  
Audit expert

Basel, 17 February 2012





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## Income Statement of the Holding

	Notes	2011 CHF million	2010 CHF million
Income from investments in subsidiaries	(1)	813	621
Financial income	(2)	30	41
Other income		8	17
<b>Total income</b>		<b>851</b>	<b>679</b>
Personnel expense		-46	-49
General expense		-18	-18
Depreciation and impairment		-3	-23
Interest expense	(3)	0	-2
Exchange differences and other financial expenses	(4)	-27	-4
Taxes		-1	-2
<b>Total expenses</b>		<b>-95</b>	<b>-98</b>
<b>Net income</b>		<b>756</b>	<b>581</b>

## Balance sheet of the Holding

Assets	Notes	31.12.2011 CHF million	%	31.12.2010 CHF million	%
<b>Non-current assets</b>					
Property, plant and equipment		8	0.2	11	0.4
Financial assets					
– Long-term loans to Group companies		68	2.0	81	2.8
– Investments in subsidiaries	(5)	2 137	63.3	2 091	72.0
<b>Total non-current assets</b>		<b>2 213</b>	<b>65.5</b>	2 183	75.2
<b>Current assets</b>					
Receivables from Group companies		105	3.1	55	1.9
Other receivables and accrued income		66	2.0	56	2.0
Marketable securities and precious metals	(6)	586	17.4	563	19.4
Cash and cash equivalents		407	12.0	44	1.5
<b>Total current assets</b>		<b>1 164</b>	<b>34.5</b>	718	24.8
<b>Total assets</b>		<b>3 377</b>	<b>100.0</b>	2 901	100.0

## Balance sheet of the Holding

Equity and liabilities	Notes	31.12.2011 CHF million	%	31.12.2010 CHF million	%
<b>Equity</b>					
Share capital		125	3.7	125	4.3
General reserve		67	2.0	67	2.3
Reserve for treasury shares		347	10.3	293	10.1
Special reserve		1 819	53.8	1 573	54.2
– Profit brought forward		37		27	
– Net profit for the year		756		581	
Available earnings		793	23.5	608	21.0
<b>Total equity</b>	(7)	<b>3 151</b>	<b>93.3</b>	2 666	91.9
<b>Liabilities</b>					
Provisions		143	4.2	147	5.1
Payables to Group companies		56	1.7	57	2.0
Other liabilities		3	0.1	4	0.1
Accrued expenses		24	0.7	27	0.9
<b>Total liabilities</b>		<b>226</b>	<b>6.7</b>	235	8.1
<b>Total equity and liabilities</b>		<b>3 377</b>	<b>100.0</b>	2 901	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>2011</b>	2010
	Dividends	<b>739</b>	564
	Other income	<b>74</b>	57
	<b>Total</b>	<b>813</b>	621

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>2011</b>	2010
	Interest income	<b>5</b>	4
	Income and gains on securities	<b>25</b>	37
	<b>Total</b>	<b>30</b>	41

The company recorded capital gains on its investment portfolio of CHF 25 million. This figure was mostly offset by losses of CHF 23 million (see Note 4).

**3. Interest expense** In 2011, interest expense decreased by another CHF 2 million compared with 2010. The lower interest expense reflects the low average amount of borrowings.

**4. Exchange differences and other financial expenses** The currency translation position on foreign currency hedging contracts, taken out to protect the Group's companies, was negative by CHF 4 million (2010: positive by CHF 7 million). The loss recorded on the securities portfolio, including other financial expenses, amounted to CHF 23 million (2010: CHF 11 million).

**5. Investments in subsidiaries** The list of 154 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 63.3% of total assets at 31 December 2011 versus 72.0% at end-2010. In absolute terms, the value of investments in subsidiaries amounted to CHF 2 137 million at end-2011. This amount corresponds to consolidated investments and investments in associates, and is CHF 46 million higher than in 2010.

## Notes to the financial statements

### 6. Marketable securities and precious metals

(CHF million)	31.12.2011	31.12.2010
Marketable securities	262	265
Own shares	279	225
Precious metals	45	73
<b>Total</b>	<b>586</b>	<b>563</b>

In 2011, own shares amounting to CHF 54 million were repurchased. The position "Own shares" includes repurchased treasury shares 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 2011 corresponded to 3.1% (versus 2.9% at end-2010) of the nominal value of total share capital.

See table on page 212 showing changes in The Swatch Group Ltd's treasury stock.

The table below shows the changes in equity:

(CHF million)	Share capital	General reserve	Reserve for treasury shares	Special reserve	Available earnings	Total equity
<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>
Allocated in 2011				300	-300	-
Dividend paid out					-270	-270
Transfer			54	-54	-1	-1
Net income for the year					756	756
<b>Balance at 31.12.2011</b>	<b>125</b>	<b>67</b>	<b>347</b>	<b>1 819</b>	<b>793</b>	<b>3 151</b>

Compared with end-2010, equity increased by CHF 485 million to CHF 3 151 million in 2011. In percentage of total assets the equity ratio increased to 93.3% at 31 December 2011 (versus 91.9% in the previous year).

#### Share capital

At 31 December 2011, 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
31.12.2010	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2011</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 2011

At 31 December 2011, the Hayek Pool, its related companies, institutions and individuals held 64 507 101 registered shares and 1 775 bearer shares, equivalent to 41.7% of the shares issued at this date (previous year: 41.6%). 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
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	–
Wohlfahrtsstiftung der Renata AG	Itingen	–
Fonds de prévoyance d'Universo SA	Neuchâtel	–

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.8% of the shares issued at end-2011 (previous year: 40.8%).

Mrs. Esther Grether's group controlled 7.2% of the shares issued (compared with 7.2% a year earlier).

At 31 December 2011, 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 347 million on 31 December 2011 (previous year: CHF 293 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 2011 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 31.12.2010	4 855 239	505 000
Acquisitions in 2011	870 000	–
Disposals in 2011 <sup>2)</sup>	–237 494	–
<b>Balance at 31.12.2011</b>	<b>5 487 745</b>	<b>505 000</b>
<b>Other consolidated companies</b>		
Balance at 31.12.2010	502 817	–
Acquisitions in 2011	–	–
Disposals in 2011	–	–
<b>Balance at 31.12.2011</b>	<b>502 817</b>	–
<b>Total balance at 31.12.2011</b>	<b>5 990 562</b>	<b>505 000</b>

<sup>1)</sup> of which at 31 December 2011 a total of 1 888 220 registered shares were reserved for the management stock option plan (2 125 677 registered shares in 2010).

<sup>2)</sup> The disposals in 2011 related mainly to the management stock option plan.

### Available earnings

In compliance with the resolution approved at the Annual General Meeting of 31 May 2011, a dividend of CHF 1.00 per registered share and of CHF 5.00 per bearer share was appropriated from available earnings as at 31 December 2010. The total dividend amount paid to shareholders in 2011 came to CHF 118 496 944 on the registered shares and CHF 151 675 000 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 8 073 056, thus constituted an integral part of equity at 31 December 2011. Finally, CHF 300 million was appropriated from available earnings at 31 December 2010 and allocated to the special reserve.

## Notes to the financial statements

### Off-balance-sheet items

#### Contingent liabilities

At end-2011, guarantees provided by The Swatch Group Ltd amounted to CHF 582 400 (compared with CHF 582 000 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 2010).

#### Fire insurance values

At 31 December 2011, the fire insurance value of property, plant and equipment amounted to CHF 34 599 000 (CHF 39 273 700 at end-2010).

#### Assets pledged

None of the company's assets are pledged.

#### Commitments

Other commitments entered into by the company and open at 31 December 2011 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 2011.

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	499	322	821	0	2	2	-3	-3	-6
Options	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2011</b>	<b>499</b>	<b>322</b>	<b>821</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>-3</b>	<b>-3</b>	<b>-6</b>
Total at 31.12.2010	307	264	571	4	2	6	0	-9	-9

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2011 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2011 relate to 32 positions held in precious metals and in foreign currencies (previous year: 31). 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 2011, there was no option outstanding (none in the previous year).

### Liabilities to pension plans

The balance sheet as at end-2011 contained no liability to pension plans (2010: liability of CHF 269 359).

### 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:

	2011 CHF	2010 CHF
Net income for the year	<b>755 530 262</b>	581 132 549
Profit brought forward from previous year	<b>37 424 889</b>	26 464 284
<b>Available earnings</b>	<b>792 955 151</b>	607 596 833
Allocation to special reserve	<b>-450 000 000</b>	-300 000 000
Payment on share capital of CHF 125 210 250.00 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
Payment on share capital of CHF 125 210 250.00 <sup>1)</sup> of a 2011 dividend, i.e.:		
– CHF 1.15 per registered share with a par value of CHF 0.45	<b>-142 651 750</b>	
– CHF 5.75 per bearer share with a par value of CHF 2.25	<b>-177 330 000</b>	
Dividends not paid out on own shares held by the Group <sup>2)</sup>		8 073 056
<b>Balance carried forward</b>	<b>22 973 401</b>	37 424 889

<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 31 May 2011, 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 207 to 213), for the year ended 31 December 2011.

#### 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 2011 comply with Swiss law and the company's articles of incorporation.

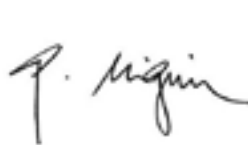
### Report on other legal requirements

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



Gerhard Siegrist  
Audit expert  
Auditor in charge



Roy Bächinger  
Audit expert

Basel, 17 February 2012

## The Swatch Group Ltd securities

Average number of shares outstanding/ Average share capital	2011 basic	2010 basic	2009 basic	2008 basic	2007 basic
Number of registered shares of CHF 0.45	118 399 729	113 103 548	110 446 207	111 605 632	115 882 234
Number of bearer shares of CHF 2.25	30 335 000	30 335 000	30 335 000	30 596 542	31 485 875
Total average number of shares outstanding	148 734 729	143 438 548	140 781 207	142 202 174	147 368 109
Share capital registered shares of CHF 0.45	53 279 878	50 896 597	49 700 793	50 222 534	52 147 005
Share capital bearer shares of CHF 2.25	68 253 750	68 253 750	68 253 750	68 842 220	70 843 219
Total average share capital	121 533 628	119 150 347	117 954 543	119 064 754	122 990 224

Key data per registered share (nom CHF 0.45) in CHF	2011	2010	2009	2008	2007
Consolidated net income	4.70	4.05	2.89	3.15	3.70
Cash flow from operating activities	2.61	5.11	3.39	1.93	3.20
Consolidated shareholders' equity	29.82	26.77	22.74	20.55	19.43
Dividend	1.15 <sup>1)</sup>	1.00	0.80	0.85	0.85

Key data per bearer share (nom CHF 2.25) in CHF	2011	2010	2009	2008	2007
Consolidated net income	23.50	20.27	14.47	15.75	18.49
Cash flow from operating activities	13.05	25.55	16.99	9.67	16.01
Consolidated shareholders' equity	149.11	133.83	113.85	102.73	97.13
Dividend	5.75 <sup>1)</sup>	5.00	4.00	4.25	4.25

Stock price of registered shares (adjusted)		2011	2010	2009	2008	2007
High		79.50	78.50	51.70	66.75	76.50
Low		51.60	50.40	23.05	23.20	53.90
	31.12.	62.60	75.40	49.40	28.50	66.85

Stock price of bearer shares (adjusted)		2011	2010	2009	2008	2007
High		443.70	434.80	268.75	340.00	397.00
Low		288.50	262.20	118.50	115.50	266.25
	31.12.	351.50	416.80	261.90	145.80	341.25

Market capitalization (CHF million)	31.12.	18 605	22 207	14 205	8 032	19 367
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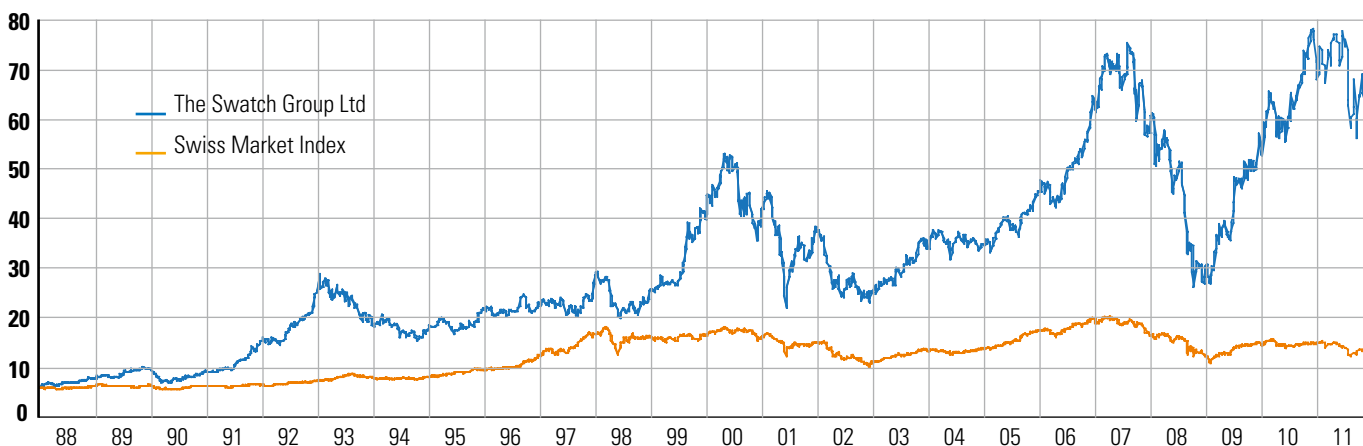
Key ratios (year-end)		2011	2010	2009	2008	2007
Average return on equity	%	16.8	16.5	13.3	15.5	19.7
Dividend yield registered shares	%	1.8	1.3	1.6	3.0	1.3
Dividend yield bearer shares	%	1.6	1.2	1.5	2.9	1.2
Price/earnings ratio – registered shares		13.3	18.6	17.1	9.0	18.1
Price/earnings ratio – bearer shares		15.0	20.6	18.1	9.3	18.5

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 (1988–2011)



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**SWATCH GROUP**

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