

# SWATCH GROUP

## ANNUAL REPORT 2013



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Swatch Group's Annual Report is published in French, German and English.  
 The text on pages 1 to 137 is originally published in French and the text on pages 138 to 216 in German.  
 These original versions are binding.

# Message from the Chair

**Dear Madam, Dear Sir,  
Dear Fellow Shareholders,**

Swatch Group is the name of the multi-faceted company that we all jointly own. The fact that it was Swatch that gave its name to our company is no coincidence. Thirty-one years ago, the launch of Swatch saved the Swiss watchmaking industry. On the occasion of its 30th birthday, which we celebrated with a number of events in 2013, Swatch finally reached adulthood. Despite this, it has not in any way lost its joyous dimension, or its spontaneity, or its creativity. It may no longer entirely be the *enfant terrible* it was in the 1980s, but the landscape of the watchmaking industry is inconceivable without it. And as Swatch Group, we acknowledge our debt to the Swatch every day.

However, exactly what we owe to the Swatch is not that easy to describe. Allow me to approach the issue both from my standpoint as Chair of the Swatch Group Board of Directors, and from that of the person responsible for our most recent acquisition.

What we as a company owe to the Swatch is, above all, the salvation of the Swiss watchmaking sector. Without it, without this emotional product that has been an enormous success worldwide, we would never have achieved this recovery. This solid foundation has enabled us once again to make the world aware of our country's qualities and values. We have revived enthusiasm for timepieces made in Switzerland. We have attracted attention through emotion. Thanks to the creativity, the irony, the beauty and very importantly, the affordable aspect of an everyday product, we have repositioned Switzerland and one of its traditional industries on the international scene. We have also, we daresay, radically rejuvenated this industrial sector. This success has enabled us, gradually and with considerable commitment and hard work, to reestablish our prestigious brands, to reposition them and finally, to build a solid business success with them. Perhaps there are some shareholders among you who remember the sorry state that brands like Omega, Longines and Tissot, for example, were in at the beginning of the 1980s. In the meantime, they have become the jewels in the crown of the Swiss watchmaking industry, inspiring universal passion and respect.

The Swatch is also responsible for another radical change that is just as important, albeit less visible. It is essentially on an industrial level that the watchmaking industry was saved. To produce a watch with only 51 parts, to put hundreds of different variations on the market every year, to provide artists with the chance to create a "canvas on the wrist", a philosophy had to be developed that was able to deal with basic concepts such as machines,

automation, robotics and design. The Swatch SISTEM51 that we launched in Switzerland in December 2013 is an emblematic example of this philosophy.

This change did not only make it possible to create an incredible number of jobs, thus consolidating the position as a hub of Swiss industry; it did not only save professions – which today are undoubtedly different but are nonetheless secured; it did not only spark a strong drive towards new technologies. Over and above all of that, it radically transformed our vision of our products and our activities. Today, a Breguet, a Blancpain, a Glashütte Original – to name just a few examples of classic masterpieces of the art of watchmaking – would be unthinkable without the most recent technologies, such as silicon balance springs, state-of-the-art materials, alloys and ceramics, as well as the production of tiny components using special machines or robots. All of these developments are only possible – and can only be financed – within the framework of a highly efficient, innovative industry at the peak of modernity and within the context of an industry that pays such close attention to finding qualified employees, training them and enabling them to develop, motivating them and ultimately, retaining them.

The Swatch led us on this path from which we will not swerve, and we will continue to look after the hub of Swiss industry and fight for it.

And yet, we bought Harry Winston! I won't waste your time with reflections on the favorable conditions under which we were able to buy Harry Winston. I also won't go into the question of whether, given our cash reserve situation, it was or was not the right moment, if it was a fair price or not, if it was the best possible investment we could make or not. I am certain, as are the Swatch Group Board of Directors and Executive Group Management Board, that it was the best thing to do. With Harry Winston, we are entering another realm – a realm which, thanks to our prestige watches, we already know a lot about: the world of luxury, the world of exclusivity, the world of rarity, the world of the exceptional. But with Harry Winston, we are also adding a dimension that was lacking in Swatch Group until now. With Harry Winston, we are no longer talking about products, or more precisely objects, which can only be produced through human ingenuity. With Harry Winston, we are talking about elements of nature that are so rare, that require such exceptional conditions to take shape and to find their way to us, they are almost inconceivable. With Harry Winston, we are dealing with the unique.



Diamonds are made of pure carbon, and carbon is one of the most common chemical elements on earth, an element that plays a fundamental role in the existence of life. Diamonds that are big enough to be seen with the naked eye are only created at depths of more than 150 kilometers into the earth's crust. 150 kilometers is about the distance between Swatch Group headquarters in Biel / Bienne and the Harry Winston watch manufacture at Plan-les-Ouates near Geneva! At this depth in the earth's crust, carbon is quite rare. The temperature required to transform carbon into diamonds also needs to be extremely high, between 1200 and 1400 degrees. The pressure, which at those depths and at those temperatures is in any case enormous, also plays an important role. As if the generative process were not difficult enough, there is an additional problem, which is the way in which diamonds make their way to the earth's surface. This can only happen during volcanic eruptions. In this respect as well, particular conditions must be fulfilled to prevent diamonds becoming cloudy or exploding. Additionally, as erupting volcanoes spew out tons of matter, discovering diamonds appears to be akin to looking for a needle in a haystack. As you can see, a whole range of highly specific prerequisite conditions need to be met for visible-sized diamonds, as well as emeralds, sapphires and rubies, to get as far as the Harry Winston workshop on Fifth Avenue. And that is to say nothing of stones the size and quality of the "Winston Legacy" diamond that Swatch Group acquired at the beginning of 2013.

With Harry Winston, we are creating a link in the very heart of Swatch Group with absolutely exceptional natural elements. Until now, we have primarily produced tiny or extraordinary watch movements that work with springs or batteries as their power source. With Harry Winston, Swatch Group is taking on elements of nature that are going to be split, shaped, polished and finally mounted with the sole objective of enhancing their unique beauty and that of the people who wear them. With Harry Winston, we are freeing ourselves to some degree from our dependency on human intelligence and the work that has made Swatch Group what it is today, to direct ourselves a little towards a dependency on nature and its beauty. And naturally, we are opening up new markets, attracting new clients and with a whole range of fantastic Harry Winston Salons, establishing ourselves more firmly than ever in the heart of the world's major cities.

As you know, diamond is an immensely hard substance. So let's take a look at some hard facts. In 2013, Swatch Group recorded 8.3% growth and achieved gross sales of 8.817 billion Swiss francs, despite the extremely unfavorable exchange rates. In the second half of the year, gross sales were negatively affected by



more than 100 million. In 2013, operating profit grew by 17.0% to reach 2.314 billion, corresponding to an operating margin of 27.4% and net income was 1.928 billion, which corresponds to a 22.8% net margin. By the end of December 2013, equity reached a new high of 9.574 billion Swiss francs, which equates to an equity ratio of 82.3%.

The Harry Winston brand was taken over early in the year and, together with its global workforce of 535 at the time and its Geneva production company, was integrated into Swatch Group. At the end of November, Swatch Group also took control of Rivoli Group in Dubai, a corporation with a distribution network of more than 360 retail stores in the Middle East. Swatch Group had already been a shareholder of Rivoli Group since 2008.

Specific investment enabled production capacities to be expanded further and put into operation. Furthermore, the new production units began operating at the start of the year in Grenchen (SO), Villeret (BE) and Boncourt (JU), once again confirming the importance of Swiss manufacturing and the reinforcement of "Swiss Made". More than 900 jobs were created in Switzerland alone.

On the strength of the good results achieved in 2013 and the positive outlook for 2014, the Board of Directors of Swatch Group proposes the following dividend for 2013 to the Annual General Meeting on 14 May 2014: CHF 7.50 per bearer share and CHF 1.50 per registered share.

I would particularly like to extend my thanks today to the Board of Directors, the Executive Group Management Board and the Extended Group Management Board, as well as to all our 33600 employees in Switzerland and around the world, who make Swatch Group a company with many and brilliant facets, a company that is a true diamond! And of course I also wish to thank our shareholders, without whom this diamond would never have been discovered, and above all, would never have been able to shine with such dazzling brilliance.

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

# Swatch Group Operational Organization

as at December 31, 2013

## Swatch Group Brands and Companies

### Watches

#### Prestige and Luxury Range

Breguet  
Harry Winston  
Blancpain  
Glashütte Original  
Jaquet Droz  
Léon Hatot  
Omega

#### High Range

Longines  
Rado  
Union Glashütte

#### Middle Range

Tissot  
Balmain  
Certina  
Mido  
Hamilton  
Calvin Klein  
watches + jewelry

#### Basic Range

Swatch  
Flik Flak

### Retailing

Tourbillon  
Hour Passion

### Production

#### Watches

ETA  
Meco  
François Golay  
Nivarox-FAR  
Comadur  
Rubattel et Weyermann  
MOM Le Prélet  
Universo  
Manufacture Ruedin  
Lascor  
Simon Et Membrez  
Novi  
Swatch Group Assembly

#### Jewelry

Dress Your Body (DYB)

### Electronic Systems

EM Microelectronic  
Renata  
Micro Crystal  
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  
(European  
Distribution Center,  
Swatch Group  
Logistics,  
Swatch Group  
IT Services,  
Swatch Group  
Corporate Customer  
Service,  
Real Estate  
Development)  
Swatch Group  
Immeubles

# Swatch Group Organization and Distribution in the World

as at December 31, 2013

## Swatch Group Subsidiaries

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

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, 2014



**Nayla Hayek**

Chair of the Board of Directors

**Company Secretary**

Jennifer Meyer-Kluge

**Auditors**

PricewaterhouseCoopers  
St. Jakobs-Strasse 25  
CH-4052 Basel

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**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, 2013 are outlined in the Corporate Governance chapter on pages 141 and 142 of the present Annual Report.

# Swatch Group Executive Group Management Board

as at March 1, 2014



**Nick Hayek**  
President of the Group Management Board



**Florence Ollivier-Lamarque**



**Pierre-André Bühler**



**Dr. Mougahed Darwish**



**Marc A. Hayek**



**Dr. Thierry Kenel**



**Dr. Hanspeter Rentsch**



**François Thiébaud**

# Swatch Group Extended Group Management Board

as at March 1, 2014



**Raynald Aeschlimann**



**Matthias Breschan**



**Jean-Claude Eggen**



**Yann Gamard**



**Hans Rudolf Gottier**



**Walter von Känel**



**Thomas Meier**



**Calogero Polizzi**



**Kevin Rollenhagen**



**Dr. Peter Steiger**



**Stephen Urquhart**

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2013 are outlined in the Corporate Governance chapter on pages 143 to 146 of the present Annual Report.

## Development of Swatch Group

Swatch Group consolidated		Swiss GAAP FER			IFRS		
		2013	2012	2012	2011	2010	2009
<b>Gross sales</b>	<b>CHF million</b>	<b>8 817</b>	8 143	8 143	7 143	6 440	5 421
– Change from previous year	%	<b>8.3</b>	14.0	14.0	10.9	18.8	– 9.1
<b>Net sales</b>	<b>CHF million</b>	<b>8 456</b>	7 796	7 796	6 764	6 108	5 142
– Change from previous year	%	<b>8.5</b>	15.3	15.3	10.7	18.8	– 9.4
<b>Operating profit</b>	<b>CHF million</b>	<b>2 314</b>	1 978	1 984	1 614	1 436	903
– As a % of net sales	%	<b>27.4</b>	25.4	25.4	23.9	23.5	17.6
<b>Net income</b>	<b>CHF million</b>	<b>1 928</b>	1 604	1 608	1 276	1 080	763
– As a % of net sales	%	<b>22.8</b>	20.6	20.6	18.9	17.7	14.8
– Change from previous year	%	<b>20.2</b>	25.7	26.0	18.1	41.5	– 8.9
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>1 309</b>	999	999	705	1 353	890
– As a % of net sales	%	<b>15.5</b>	12.8	12.8	10.4	22.2	17.3
<b>Equity</b>	<b>CHF million</b>	<b>9 574</b>	8 573	9 344	8 071	7 101	5 981
– As a % of total assets	%	<b>82.3</b>	82.2	83.3	82.3	82.4	77.6
<b>Total assets</b>	<b>CHF million</b>	<b>11 639</b>	10 430	11 222	9 805	8 614	7 706
Personnel as at 31.12.	Employees	<b>33 590</b>	29 788	29 788	28 028	25 197	23 562
Annual average	Employees	<b>31 114</b>	28 942	28 942	26 777	24 240	23 727
Personnel expense	CHF million	<b>2 144</b>	1 988	1 982	1 818	1 634	1 596

The Swatch Group Ltd		2013	2012	2011	2010	2009
Dividend income	CHF million	<b>1 565</b>	1 065	739	564	431
<b>Net income</b>	<b>CHF million</b>	<b>1 880</b>	1 085	756	581	433
Investments	CHF million	<b>3 056</b>	2 493	2 137	2 091	2 063
Share capital	CHF million	<b>125</b>	125	125	125	125
Equity	CHF million	<b>5 440</b>	3 926	3 151	2 666	2 294
– As a % of total assets	%	<b>96.5</b>	95.0	93.3	91.9	82.5
<b>Total assets</b>	<b>CHF million</b>	<b>5 640</b>	4 131	3 377	2 901	2 780
<b>Dividend</b> <sup>1)</sup>	<b>CHF million</b>	<b>417.4</b> <sup>2)</sup>	366.3	310.3	270.2	209.9
– As a % of share capital	%	<b>333.9</b>	293.0	248.2	216.2	167.9

<sup>1)</sup> No dividend paid on own shares held by the Group.

<sup>2)</sup> Proposal by the Board of Directors to the Annual General Meeting.

# **BIG BRANDS**

WATCHES  
AND JEWELRY –  
RETAILING  
AND PRESENCE



THE  
FRONT  
TELLS  
THE  
TIME



THE  
BACK  
TELLS  
THE  
STORY

Take a walk on the other side of time: [swatch.com/sistem51](http://swatch.com/sistem51)

swatch<sup>®</sup>  
SISTEM 51

swatch<sup>®</sup>+

## The Back Tells the Story

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

In 2013 Swatch celebrated its first thirty years with a massive first-ever appearance at Baselworld and in Venice at la Biennale, and a series of strong products designed to reinforce and continue building the brand.

### Trends

Key products launched during the year include Swatch Est. 1983 honoring the brand's 30th anniversary, and SISTEM51, the world's first mechanical movement to be assembled on a fully automated assembly line. For Mother's Day, Swatch launched Kalinka Malinka, a set of Matryoshka dolls with three Swatch watches hidden inside. The New Irony Chrono and Scuba Libre collections both proved popular. The Spring Summer and Fall Winter Collections explored a range of trendy themes, and the holiday season saw the launch of the Red Knit Special. Week 51 brought the much-awaited arrival of the first four SISTEM51 models in selected stores in Switzerland. The brand also opened a pop-up store on Zurich's Bahnhofstrasse, which is dedicated to this revolutionary mechanical watch. It features a unique environment whose sophisticated interior design reflects the SISTEM51 movement.

2013 saw continued restructuring of distribution and a strong focus on retail in order to create a high quality, selective distribution network. The effort was strengthened by the opening of new stores in strategic locations around the world. The retail organization at headquarters was reinforced to improve support to the different markets with the goal of increasing their performance per point of sale. The number of third-party monobrand stores continued to grow as open projects were completed, with a substantial year-on-year increase. The number of corporate stores also saw considerable growth during the year.

### Upgrading and growing retail

The Swatch retail concept is a recognizable statement in the world's best shopping locations, aiming to welcome customers in a storytelling and emotional environment. Rationalization and expansion of the network continued during 2013 in all markets. Asia saw expansion with the opening and take-over of distribution in key areas, especially in China, translating into high growth in sales. Exceptional growth was noted in Shanghai at Plaza 353 and The Swatch Art Peace Hotel boutique, as well as in the brand's other boutiques in China, Japan, Taiwan, Singapore and South Korea. Market share increased throughout the Middle East following qualitative retail expansion. Enhanced presence and visibility, particularly in the UAE, underlined the brand's



commitment to the region. Europe saw continued strong improvement of the retail distribution network resulting from store renovations aligned with the successful Ice Dunes concept. Relocation of existing stores also proved helpful, resulting in some cases in a doubling of sales. The UK saw a reorganization of local business and a corporate retail push along with targeted events and the opening of temporary stores in iconic locations. New monobrand stores opened in Poland and Greece, Russia pushed to open boutiques in strategic locations and Eastern Europe added monobrand stores and promotional activities in support of Scuba Libre. 2013 in the Americas saw the consolidation of the selective distribution process in most markets,

streamlining of wholesale distribution and focus on increasing the contribution of corporate retail sales to total business. The search for new corporate locations was accompanied by a focus on renovating existing corporate stores. In Latin America the Ice Dunes concept was implemented in the major cities of the region with new store openings in strategic locations and renovations of high performing, high-traffic stores.







## Creation

### The Front Tells the Time – The Back Tells the Story

In its 30th year, Swatch stopped the watch world once again, this time with SISTEM51. The first mechanical movement ever made on a fully-automated assembly line, SISTEM51 packs unprecedented technological innovation into an automatic movement with only 51 parts. 100 percent Swiss-made, the first four models were launched exclusively in Switzerland in week 51.

### Key Collections 2013

The innovative spirit that swept through Swatch in 2013 brought bright colors and creative designs in the Spring Summer collection and trending themes and variations to Fall Winter: colors, patterns, textures and shapes that captured culture emerging from the streets.

The New Irony Chrono collection launched in May took up the pioneering Swatch tradition of high-performance timekeeping set in steel. Nine debut models exhibit clear, essential design and split-second accuracy in a big new format that speaks of performance with casual style.

In June, Swatch surfaced with Scuba Libre, the new collection designed for urban sea-lovers and nautical sports enthusiasts. Its launch was accompanied by a spectacular TV commercial shot in South Africa with a soundtrack from British pop singer and Swatch partner, Mika.

## Specials

2013 began with a celebration of Chinese New Year and Legend of the White Snake, a New Gent with artfully drawn serpents and brilliant colors evoking traditional Chinese decorative arts, finely woven silks and embroidered fabrics. February brought A la Folie, the Valentine's day special with a heart-shaped cut-away dial. Swatch Est. 1983 was launched precisely 30 years after the first Swatch watches debuted in Zurich. Kalinka Malinka took up popular Russian traditions with a delightful set of five dolls and colorful floral patterns on a set of three watches. Peace of Art paid tribute to The Swatch Art Peace Hotel in Shanghai. Swatch and pop star Mika joined forces to create Kukulakuki and Kukulakuku, augmented by the new Swatch AR't smartphone app. And just in time for the holiday season, Red Knit appeared, a romantic New Gent with wintery signs and symbols inspired by trendy Nordic patterns.

## Swatch & Art

Continuing its historic creative collaboration with artists, Swatch invited José Carlos Casado and Goto Design to create Swatch Art Specials. The Spanish artist created OFF, a fascinating expression of his work with computers, and the noted New York designers Takaya Goto and Lesley Chi presented Blue Wild Face and Wild Face, based on multi-colored drawings recalling the power of Art Brut.



## Presence

### Swatch Celebrates its 30th Anniversary

To celebrate its thirty years Swatch was present at Baselworld for the first time. In an exhibition hall of its own, the two-story stand presented Planet Swatch, with every Swatch model ever made. The displays changed every day to highlight different facets of the brand, from innovation to art, fashion, sports, a focus on women and finally color. At a press conference, Swatch Group CEO Nick Hayek announced the astonishingly innovative Swatch SISTEM51, an automatic (self-winding) mechanical movement destined, like the first Swatch watches thirty years earlier, to have a game-changing impact on the watch industry.

### Swatch at La Biennale di Venezia

Swatch partnered with la Biennale di Venezia (June 1–November 24, 2013). The theme of Swatch's presence in Venice was Swatch\_Faces, which formed an ideal bridge from The Swatch Art Peace Hotel in Shanghai to Venice, where José Carlos Casado, a former artist in residence at the hotel, presented OFF, his watch for Swatch. Nick Hayek, the artist and Swatch Creative Director Carlo Giordanetti were joined at a press conference by British singer Mika, who, like Swatch, turned 30 in 2013, as did 30 young people pictured on a Swatch\_Faces wall of photographic portraits. Mika returned to Venice in November for the launch of the two watches he designed in creative partnership with Swatch. Mika's involvement with the brand drew crowds of thousands to his appearances at Swatch stores in Paris, London and Milan. Both Mika and José Carlos Casado explored Swatch AR't, a new smartphone app. A second app, Swatch\_Faces, matched self-portrait smartphone photos with iconic and current Swatch watches. In August, The Swatch Art Peace Hotel presented OFF.v02, an exhibition of work resulting from a collaboration between Swatch and José Carlos Casado. The exhibition then traveled to Madrid and New York.

### Swatch Sports

**In the snow:** Title partner of the Freeride World Tour, Swatch supported brave male and female Freeski and Snowboard athletes as they competed at six stops, two in North America and four in Europe, for the World Championship title.

Swatch Skiers Cup's third edition was held in world-famous Zermatt, Switzerland, where the athletes competed in a breathtaking mountain landscape.

**On the beach:** The Swatch Girls Pro surfing event took place for the fourth time in Hossegor, France, with Proteam member Courtney Conlogue taking the win again in 2013 following her victory at last year's event. The third edition of Swatch Girls Pro China was announced at The Swatch Art Peace Hotel. In November, the athletes traveled to the island of Hainan to participate in the final competition of the 2013 Longboard World Championship.

**On dirt:** Swatch Free4Style took place over a summer weekend in Estavayer-le-Lac, Switzerland.

Like Swatch, the Swatch Proteam members love to push the limits and dare to make the impossible happen. In 2013, Swatch continued to support many individual sporting talents from a wide range of challenging, exciting and creative disciplines, including snowboarding, freeskiing, FMX, women's surfing, beach volleyball and, as a new sport from 2013, ice cross downhill.

### Swatch Club

Swatch Club focused on events, with highlights in Strasbourg for Gold and Pioneer members and in Venice at la Biennale. A new customer relationship management (CRM) system will be put in place that will allow all subsidiaries to work on the same system and enhance implementation of the Club's loyalty strategy. 2013 was the year of the Net.Hunt, a new online experience, with a special signing session with Mika in London for the winning team. Members attending the Club's Xmas spent four days in Vienna which included a magnificent gala in Schönbrunn.

### Advertising

The year began with a successful launch of the Valentine's Day campaign, "True Love Has Nothing to Hide". The Spring Summer campaign was created with a fresh and colorful spirit introducing the "Inspired by" concept. The launch of Scuba Libre was supported by the "Mad About the Sea" campaign blending underwater and urban elements and including a memorable TV spot featuring singer Mika's hit song, "Underwater". The New Irony Chrono "Time Machine" focused on two iconic models. Fall Winter saw a kaleidoscopic world of multiple elements and mirror effects producing a fascinating imaginary world. The milestone SISTEM51 campaign saw all debut models presented from both front and back, as "The Front Tells the Time – The Back Tells the Story". The year came to a close with a focus on the Holiday Season special.

### The Swatch Eye

2013 brought the debut of The Swatch Eye newspaper, designed to reflect the everyday life of Swatch with a focus on brand values, emerging trends and events that showcase and celebrate provocative and innovative talents all over the world. An online version is accessible on the Swatch website.







## The spirit of innovation

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

### Trends

In 2013, Omega demonstrated its continuing commitment to meeting horology's greatest challenges. It launched the Co-Axial caliber 8508, the world's first truly anti-magnetic mechanical watch movement, solving a problem that had perplexed watchmakers for centuries. The groundbreaking technology was introduced at several press events scheduled in all major markets.

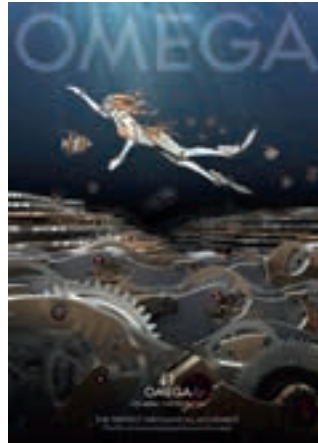
The year was characterized by innovation, both inside the watch and out, and included the presentation of 18K Sedna gold, a patented alloy whose red gold color is particularly enduring.

Omega's exclusive Co-Axial technology was again the cornerstone of the brand's product strategy. An award-winning advertising campaign was complemented by Co-Axial exhibitions in cities around the world.

Other high-profile events and partnerships generated positive media coverage throughout the year. The Omega-produced documentary, *Planet Ocean*, was screened in more than a dozen cities and at the United Nations in the presence of Secretary General Ban Ki-moon, underscoring the brand's advocacy of oceanic health. Links with golf, swimming, sailing and athletics added to a consistently strong press presence in the world of sport.

Omega again expanded its global network of monobrand boutiques. More than 300 Omega Boutiques are now located at the world's best shopping addresses.





## Creation

### The Omega Seamaster Aqua Terra > 15 000 Gauss

The Seamaster Aqua Terra > 15 000 Gauss introduced the Omega Co-Axial caliber 8508, a mechanical movement resistant to magnetic fields greater than 1.5 tesla (15 000 gauss), far exceeding the levels of magnetic resistance achieved by any previous watch movement and solving a problem that had challenged watchmakers for centuries. The technology was developed by a team of ETA, Asulab, Nivarox-FAR and Omega engineers. Unlike other efforts to combat the effects of magnetism, it does not rely on a protective container inside the watchcase but on the use of selected non-ferromagnetic materials in the movement itself.

### The Omega Constellation Sedna

The Constellation Sedna was the first watch crafted in 18K Sedna gold, a patented alloy blending gold, copper and palladium, created by a team of Swatch Group metallurgists and scientists who shared the goal of creating a material whose color would be not only beautiful but enduring. The distinctive timepiece has a polished casebody with a brushed bezel emboldened by tone-in-tone Roman numerals. Its silvery "pie-pan" dial was inspired by the very first Constellation launched in 1952.

### The Omega Speedmaster "Dark Side of the Moon"

The Speedmaster "Dark Side of the Moon" is contemporary interpretation of the world's favorite chronograph. The black zirconium oxide ceramic dial, complemented by a matching ceramic case, features striking 18K white gold applied indexes as well as two blackened sub-dials that distinguish the timepiece from the classic Speedmaster "Moonwatch". The innovative placement of the 12-hour and 60-minute counters on the same sub-dial at 3 o'clock allows a comfortable and intuitive chronograph reading.

### The Omega Seamaster Planet Ocean 600M GoodPlanet

The Seamaster Planet Ocean 600M GoodPlanet is a tribute to the GoodPlanet Foundation and the positive work it does for our environment. It features a bold blue lacquered dial. The bright orange GMT scale on the bezel ring and the central GMT hand make it possible to track two separate time zones, ideal for frequent travelers.

### The Omega Seamaster Diver ETNZ Limited Edition

The Seamaster Diver ETNZ Limited Edition celebrates Omega's partnership with Emirates Team New Zealand in its 2013 America's Cup campaign. It is distinguished by a 30-minute chronograph recorder with a red ring marked with a scale that indicates the five-minute countdown to the start of a regatta. It was produced in an edition limited to 2013 pieces.

### The Speedmaster '57 Omega Co-Axial Chronograph

The Speedmaster '57 Omega Co-Axial Chronograph honors the very first Speedmaster, whose subtle nods to its ancestor include the straight lugs extending from the watch case and a bracelet recalling that iconic chronograph. The Speedmaster '57 is powered by the Omega Co-Axial caliber 9300/9301.

### The Omega Ladymatic Mother-of-Pearl

The Ladymatic Mother-of-Pearl is feminine, sensual and uncompromisingly luxurious. Its case is crafted from 18K Sedna gold and its pearled mother-of-pearl dial is highlighted by eleven single-cut diamond hour markers. On the bezel are 60 baguette-cut diamonds. The 18K Sedna gold bracelet has central links inlaid with precisely-cut extra white mother-of-pearl.

### The Omega Ladymatic Pearls and Diamonds

The exquisite Ladymatic Pearls and Diamonds has an 18K Sedna gold case featuring diamond-set decorative waves with a white ceramic ring and a titanium inner casebody complemented by a bezel paved with diamonds. The most dramatic feature is the eye-catching bracelet made up of 52 white Akoya pearls, polished 18K Sedna gold "pearls" and 310 full-cut diamonds.

### The Omega De Ville Prestige Butterfly

The De Ville Prestige Butterfly draws on the enchantment and aesthetics of nature. A mother-of-pearl butterfly pattern decorates the unique dial adorned with nine diamond indexes set in 18K white gold holders. A diamond-paved butterfly positioned between 7 and 8 o'clock complements the 18K white gold bezel, set with more than 50 full-cut diamonds.





## Presence

Throughout 2013, Omega maintained an impressive media presence with exhibitions and press conferences, boutique openings, product launches, high-profile sport timing and other key events. These were supported by creative advertising, dynamic web and social media activities and focused public relations in every market.

### Co-Axial

The Co-Axial revolution that started at Omega in 1999 continued to be a major part of the brand's product and communication strategy in 2013. An exhibition detailing the history of the innovative technology and highlighting its advantages was taken to Singapore, Seoul, Hong Kong and Berlin. These were supported by the year's advertising highlight, Omega's award-winning 3D Co-Axial TV spot, built around fantastical images made up of watch parts, innovatively transformed to represent iconic parts of the brand's heritage. These images were also incorporated into print ads.

### Boutique openings

Omega opened boutiques at prime retail locations in Santiago de Chile, Frankfurt, Hong Kong, Hangzhou, Palm Beach and at other prestigious addresses around the world. At the end of 2013, the global network included more than 300 monobrand boutiques.

### La Nuit Enchantée in Vienna

Actress Nicole Kidman joined Omega in Vienna in March to introduce the new Ladymatic global campaign. The event at the Gartenpalais Liechtenstein lived up to its name, *La Nuit Enchantée*. The palace proved a perfect location to launch the watches and the new campaign.

### Anti-magnetism press conferences and exhibitions

The introduction of the Co-Axial calibre 8508, the world's first truly anti-magnetic watch movement, was supported by press events and exhibitions in Shanghai, Tokyo, New York, London and other cities. This breakthrough technology generated extensive press coverage throughout the year.

### America's Cup and ETNZ watch launch

Omega supported Emirates Team New Zealand throughout the America's Cup 2013 competition. The Seamaster Diver ETNZ Limited Edition celebrated the team's campaign to re-claim sailing's greatest trophy. Despite the disappointing result, the event generated enormous coverage for Omega.

### Planet Ocean

Omega continued to develop its partnership with filmmaker/ecologist Yann Arthus-Bertrand and his GoodPlanet organization. The *Planet Ocean* film produced by Omega and released in 2012 was screened in Asia, Europe and North America as well as at the United Nations in the presence of Secretary General Ban Ki-moon. Omega committed a portion of the funds from its Seamaster Planet Ocean 600M GoodPlanet to financing projects to preserve mangroves and seagrasses in Southeast Asia.

### Omega and golf

The brand's year in golf again included title sponsorships of the European Masters, the Dubai Desert Classic and the Dubai Ladies Masters. Omega's partnership with The PGA of America also gave it a substantial presence at tournaments including the PGA Championship, one of golf's four Majors. Golfing sensation Rory McIlroy joined Omega's roster of brand ambassadors in 2013, as did LPGA standout Stacy Lewis.





#### **Solar Impulse**

As a Main Partner with Solar Impulse, Omega is looking forward to its round-the-world flight around the world in a plane powered only by the sun planned for 2015. The brand continues to provide not only capital support but also key technology to help the team achieve its ambitious goal.

#### **Sports timing**

Omega's profile as the world's leading sports timekeeper was maintained at events such as the FINA World Cup and the Diamond League's series of athletics events. Preparations were also made for the Sochi 2014 Olympic Winter Games, where, for the 26th time, Omega will serve as Official Timekeeper.

#### **Omega and Orbis International**

Omega continued its support of Orbis International whose Flying Eye Hospital delivers quality eye care to some of the world's remotest regions. A portion of the proceeds from the sales of the Constellation Star and the Hour Vision Orbis is donated to the organization.

#### **Communication**

Along with events and exhibitions, global advertising campaigns, an impressive roster of ambassadors, a lifestyle magazine and a strong web and social media presence continued to figure prominently in Omega's communications strategy.

#### **Advertising**

In addition to the award-winning Co-Axial commercial, Omega again featured Nicole Kidman in its Ladymatic campaign. Print advertisements were developed for Omega's anti-magnetic watch, the Speedmaster Dark Side of the Moon and the partnerships with GoodPlanet and Orbis. Golf campaigns featured Rory McIlroy, Stacy Lewis and the PGA Championship.

#### **Omega Lifetime Magazine**

In 2013, *Omega Lifetime*, Omega's twice-yearly lifestyle magazine, was published in English, Japanese, traditional and simplified Chinese, German, French, Spanish, Italian and, for the first time, Russian. The year saw the publication of the Golf and the Sochi issues. There is also an interactive iPad edition of *Omega Lifetime*.



### Omega online

omegawatches.com, the official website, had more visitors than ever before, driven particularly by an increase in traffic in China, Japan, Latin America, Russia and the USA. It is now available in 12 languages. There was also an impressive increase in the number of visitors from tablets and smartphones, thanks to the success of the iPhone, Android and iPad applications. The Seamaster remained the world's "most searched" watch model by name.

Omega's active presence in interactive media was supported with the launch of an international e-newsletter, two new social media sites, a series of online video manuals and a new YouTube channel.



### Fine Jewellery

In 2013, Omega introduced the Ladymatic jewelry pieces. They elegantly reinterpret the Ladymatic watchcase and like the Constellation jewelry, are strongly linked to their namesake timepieces. These connections allow the seamless cross-presentation and cross-selling of the watches and jewelry and serve as a valuable and effective sales tool. The other jewelry lines – Omega Dewdrop, Omega Flower and Aqua remained popular throughout the year. The success of the brand's jewelry was supported by visual merchandizing materials, special displays and a strong presence on the Omega website.







## Breguet, the innovator

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

### Trends

As in preceding years, there was a substantial increase in the demand for Breguet products in 2013 with the brand achieving strong sales growth in Europe, North America and the Middle East, and especially in its own boutiques. It also strengthened its leading position in the Swiss market during the year.

In 2013, under the leadership of its President, Marc A. Hayek, Breguet focused on celebrating its greatest watchmaking inventions, including the tourbillon. Patented in 1801, this innovation was a turning point in the history of watchmaking, providing mechanical watches with unprecedented precision. Breguet devoted a travelling exhibition to this theme – sometimes expanded with other inventions – which was presented all over the world throughout the year. The Manufacture from the Vallée de Joux (VD) and its roadshow were presented in Switzerland in Geneva, Basel and Zurich; in Paris, France; in the USA in Beverly Hills, Chicago and New York; in China in Shanghai, Ningbo, Beijing, Taiyuan and Hangzhou; in Tokyo, Japan; and in the United Arab Emirates in Dubai. Additional dates are planned for 2014, notably in Russia.

The Classique Chronométrie model was the result of a great deal of fundamental research with the aim of improving timing performance, and was also launched in the markets in 2013. The magnetic pivot that equips the reference 7727 reduces the negative effects of magnetism, thus improving the turning, rotation and stability of the balance staff. With this patented innovation, whose scope will probably only be measurable in several years, Breguet has established a new milestone in the history of watchmaking.

These recent technological advances were achieved as the Manufacture continued the extensive renovations to its buildings, which were started in 2011. The planned move was begun in 2013 and should soon be complete. A total of 8000 square meters will house state-of-the-art facilities as well as employees, the number of which is increasing regularly in order to keep up with the constantly growing demand.

Work to develop the layout of Breguet's boutiques and shop-in-shops according to a new architectural design took place for existing points of sale in 2011. Boutiques inaugurated since then have been systematically equipped according to this understated, refined décor which picks up on some of the brand's famous elements, especially *guillochage*. This was particularly the case with regards to the largest Breguet boutique in the world – 598 square meters – which was officially inaugurated at a ceremony attended by Marc A. Hayek in Shanghai in June 2013, in the Xintiandi district.

The strategic plan to strengthen the brand's communication activities also continued to develop in 2013. Brand new materials launched in 2012, such as the annual *Le Quai de l'Horloge* magazine and the new feminine Queen advertising campaign, will soon be completed with the launch of a completely revamped website.





## Creation

### **Classique Tourbillon extra-thin automatic 5377, rose gold or platinum**

First unveiled at Baselworld, this "Grande Complication" model is distinguished by its offset tourbillon for which several patents have been filed. The tourbillon carriage is in titanium; the balance-spring is made of silicon; the escapement is in anti-magnetic steel. The new Caliber 581DR driving this timepiece also achieves the feat of offering a 4Hz frequency – which is especially high for a tourbillon – without sacrificing the power reserve which amounts to 90 hours, thanks to a patented high-energy barrel. In order to guarantee a 3 millimeter movement thickness and a 7 millimeter case, Breguet has developed a platinum oscillating weight placed around the movement and rotating in both directions. This technical accomplishment makes this automatic tourbillon one of the thinnest in the world.

### **Classique Chronométrie 7727, white or rose gold**

The Classique Chronométrie was one of the star models of 2013 when it first reached the markets. Equipped with Caliber 574DR, a new mechanical hand-wound movement, this timepiece displays exceptional rating results thanks to Breguet's mastery of silicon and the resulting high 10Hz frequency. But the major innovation of this Classique Chronométrie lies in the use of the magnetic pivot. This patented invention is based on the use of two endstones incorporating an especially powerful micro-magnet and fitted on each end of the balance axis. This serves to create a dynamically stable system that keeps the balance staff centered and self-adjusting. The latter no longer senses the differences in the position of the watch and the pivoting conditions thus remain permanently identical. This results in a balance staff that is insensitive to gravity, more stable and more resistant to shocks.

### **Classique Réserve de Marche 5277, white or rose gold**

Stemming from research into the means of increasing movements' power reserve, reference 5277 houses Caliber 515DR, equipped with an innovation developed by Breguet in conjunction with Nivarox-FAR. The movement of this Classique model, and in particular its barrel springs, heralded the arrival of a new type of stainless steel boasting extremely high mechanical performance. This patented material serves to store more energy within the same volume, resulting in a greater power reserve and constant torque, thus improving the performance of the spring. To further enhance the overall function of the mainspring, Swatch Group – and Breguet in particular – worked on an unusual and patented construction of the barrel components, and especially the diameter of the barrel arbor's core. The substantial reduction of the latter, made possible by the ductility of the alloy, increases the mainspring's length and number of coils. This in turn brings the power reserve of reference 5277 from 75 to 96 hours. In the long run, this invention is destined to equip all watches created by Swatch Group brands.

### **Reine de Naples Day/Night 8998, white or rose gold**

With the Reine de Naples Day/Night model, Breguet wanted to give rise to the enchanting dance of the sun and moon in their desire to meet. To achieve this, the Manufacture in the Vallée de Joux (VD) developed a new patented movement equipped with a unique display featuring two dials – one displaying the hours and minutes in a traditional manner; and the second staging the complication indicating the hours of day and night. The sky is represented by a lapis lazuli disk, while the sun is symbolized by the faceted rim of the balance. In step with the oscillations of the balance, the sun goes on a daylong tour, passing beneath the steel bridge supporting the mechanism, meeting up with the hour and minute hands, and then returning to its zenith, facing the on-looking titanium moon.



## Presence

### Exhibitions

2013 saw the launch of a new exhibition on the theme of the tourbillon and other Breguet inventions. Presented in around 20 cities, the exhibition enabled the Manufacture from L'Abbaye (Vallée de Joux, VD) to provide a retrospective of more than 200 years of innovations instigated by Breguet. Following its enormous success, the Tourbillon roadshow was further developed as a series of sporadic events paying tribute to Breguet's impressive collection of tourbillon-equipped timepieces. In the USA, the Breguet boutiques in New York, Miami, Bal Harbour and Las Vegas also simultaneously opened their doors for a commemorative day providing the public with an opportunity to become acquainted with this great invention.

These pieces were on show at the International Economic Forum in St. Petersburg, Russia. Parallel to this, the exhibition devoted to the Reine de Naples – which was a major feature in 2012 – was requested extensively in 2013, and especially by Asian markets, thus making its big comeback, notably in China in the cities of Nanjing, Shenzhen, Shenyang and Shijiazhuang as well as Xi'an.

### Partnerships

A faithful devotee of art and culture for many years, Breguet provided support to many cultural institutions in 2013.

With its ongoing attachment to classical music forming an inseparable part of its history, the brand extended its partnership with Carnegie Hall in New York. Breguet and the legendary concert hall also partnered for the occasion of an unprecedented evening attended by internationally renowned pianist, Jean-Yves Thibaudet. In South Korea, it supported the tenth Great Mountains International Music Festival & School (GMMFS) event that





hosts hundreds of festival goers every year. Breguet was also present in Hong Kong where it organized the Breguet's Celebration of Excellence event for the fourth consecutive year, featuring famous cellist Trey Lee. In Spain, Breguet hosted a gala at the Royal Theatre in Madrid in tribute to Teresa Berganza, one of the best-known lyrical poetry artists in history. Breguet's visibility in Russia was also strengthened through its participation in a charity concert in aid of the Artist foundation that brought together more than 1500 music lovers. Finally, in Switzerland, the brand renewed its partnership with the Geneva International Music Competition, which it has faithfully supported since 2002.

Breguet's commitment is not restricted to the realm of classical music only. In the USA, the Fine Watchmaking manufacturer played a significant role in the long-awaited opening of the Smith Center for the Performing Arts in Las Vegas. The brand also demonstrated considerable involvement in Italy through its support of the Bagatti Valsecchi museum which is devoted to Milanese artistic traditions dating from the Renaissance. Breguet's official announcement of the launch of this partnership coincided with the celebration of the first anniversary of its Milan boutique, attended by its President, Marc A. Hayek.

#### Rewards

During a private evening event at the Cité du Temps in Geneva, the specialist magazine *Revolution* presented Marc A. Hayek with the prestigious 2013 "Man of the Year" award, for his achievements in his capacity as President of the Breguet, Blancpain and Jaquet Droz brands.

After achieving recognition for its Classique Hora Mundi in 2012, Breguet once again won the "Best of the Best" award in the men's watches category, while its Classique Chronométrie model was nominated the best technological innovation by the *Robb Report*. The reference 7727 was also awarded "European Watch of the Year" at the competition bearing the same name, organized in London by the *00/24 WatchWorld* publication.

On the other hand, the Breguet Type XXII chronograph in rose gold launched in 2013 received the vote of *Montres Passion* magazine's readership. For the second consecutive year, the "Prix du Public" went to Breguet in the context of its annual "Watch of the Year" competition.





## Breguet's jewelry artistry

Breguet jewelry was well-received throughout the year, while La Rose de la Reine and Reine de Naples enjoyed a resounding success at Baselworld. The ability of the Breguet boutique network to sell exceptional pieces and the slight increase in the average price of High Jewelry items were both key factors in 2013. These indicators demonstrated the popular interest in Breguet's High Jewelry which, as a result of this renown, focused on expanding and developing its collection.

## Creation

### Breguet's Secret de la Reine

The Secret de la Reine timepiece was added to the La Rose de la Reine collection, which already consisted of a ring, bracelet, earrings, a pendant and Akoya pearl *sautoir* necklaces. In the purest tradition of secret watches, a push-button on the famous cameo rose reveals the hour. The petals of the rose are featured in the minutest detail, while Breguet's talent for setting is fully expressed on the dial, the outer flange and on the delicate bow that is emblematic of the collection.

### Breguet's Désir de la Reine

Breguet drew its inspiration for the Désir de la Reine watch from the royal dresses of yesteryear worn by Marie-Antoinette. The diamond bow extends as far as the partially set mother-of-pearl dial. Due to the fact that women are also fans of mechanical watchmaking, this timepiece is, like Breguet's other jewelry watches, equipped with a mechanical automatic movement.







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### Trends

Since its acquisition in early 2013, Harry Winston, under the direction of Nayla Hayek, has focused on its successful integration into Swatch Group, and building upon its illustrious history by concentrating on the heritage and legacy of the House.

Known as the “King of Diamonds”, the Harry Winston brand has first and foremost been built on its commitment to creating incredible high-end jewelry pieces, using the highest quality materials, as well as the House’s pioneering techniques in craftsmanship and design. As the high jewelry segment is a cornerstone of the brand’s identity, Swatch Group is committed to sig-

nificantly investing in it to ensure the growth of this segment. Over the next two years, the priority will be to increase the assortment of new product available throughout the retail distribution network to ensure that clients will continue to have access to the high caliber jewelry that Harry Winston is known for.

The commitment to perfection and quality was evidenced by the purchase of a 101.73 carat flawless, colorless pear-shaped diamond for 26.7 million dollars. Named the Winston Legacy, the incredible diamond was discovered in the Jwaneng mine in Botswana, and took nearly two years to transform from a 236 carat piece of rough into a perfect, polished stone. Described by Christie’s Auction House as “absolute perfection,” the stone is classified as a Type Ila diamond, a rare type considered to be the most chemically pure, which represents less than 2% of all gem diamonds. The stone is the largest D-color, flawless pear-shaped diamond that has been graded to date by the GIA, reaffirming Harry Winston’s position as a leader in exceptional diamonds.

Harry Winston continues to demonstrate strength in high jewelry and high complication timepieces with the introduction of new products during the Baselworld trade fair. Swatch Group has plans to invest in the timepiece segment, bringing its expertise in watch manufacturing and distribution to further develop the brand’s potential in this area. The result of these synergies will start to become more visible in the coming year at the Baselworld trade fair, with the relocation of Harry Winston to a more prominent position on the ground floor of the fair and the introduction of new products.

The brand also strengthened its commitment to increasing visibility around the world through the expansion of its retail distribution network in key markets, as well as through its marketing and communications initiatives linked to the heritage of the House, including participation in key red carpet events, such as the Academy Awards and Cannes Film Festival.





## Creation

### One-of-a-Kind Creations

Since its founding in 1932, Harry Winston's fine jewelry designs have been recognized for their uncompromised standards of quality and creativity. Honoring this enduring tradition, new one-of-a-kind jewelry pieces were introduced to broaden the brand's unique product offering in the core jewelry segment and in the very high-jewelry one. Designed using only the highest grade diamonds, as well as an assortment of rare colored gemstones, the pieces were influenced by the House's iconic cluster motif – a gem-setting technique pioneered by Mr. Winston in the 1940s, in which different cuts of diamonds are grouped together to achieve highly dimensional jewels that capture the maximum light and sparkle from all directions. Each gemstone is hand set by master craftsmen using a minimal amount of metal, resulting in Harry Winston's signature aesthetic in which the individual stones appear to float in their settings.

### Ultimate Bridal Collection

Mr. Winston believed that behind every great diamond was a fascinating story. Throughout the history of the House, some of Harry Winston's most extraordinary diamonds have helped to commemorate a number of the most incredible romances of the 20th century – from the Taylor-Burton diamond, purchased by Richard Burton for Elizabeth Taylor, to the Lesotho III given to Jacqueline Kennedy by Aristotle Onassis. Building upon its heritage, the House introduced the Ultimate Bridal Collection, offering Harry Winston's tradition of one-of-a-kind designs to the bridal consumer. The exclusive bespoke service allows clients to special order a high-jewelry engagement ring under the advisement of the brand's bridal experts. Clients are presented with a series of sketches, created by Harry Winston's jewelry designers,

as well as loose diamonds sourced by the House's expert gemologists to ensure each element reflects the brand's exacting standards. Available for rings three carats and above, each engagement ring incorporates Harry Winston's signature design codes, and highest standards of quality and craftsmanship.

### Water by Harry Winston

Launched at the end of 2012, the House's latest high jewelry collection, Water by Harry Winston, draws inspiration from nature's most precious elements – rare gemstones and water. Created using the finest diamonds and unique colored gemstones, each piece captures a different state of water as it interacts with the world around it – from tranquil rivers to cascading waterfalls – focusing on the variations in color, movement, and form. The collection continued to play a prominent role this year with the introduction of two unique High Jewelry Timepieces that extend the House's expertise in fine jewelry craftsmanship into fine watch making.

The Glacier High Jewelry Timepiece captures the look of ice crystals through an intricate matrix of 422 individual baguette-cut diamonds, totaling 76.4 carats, hand set in platinum.

The Premier Glacier is a testament to Harry Winston's expertise in diamond setting, using 497 individual diamonds. The extraordinary timepiece showcases one of the most intricate dial designs created by the House jewelers, in which 108 individual diamonds are artfully arranged in an asymmetrical pattern evoking water's frozen form.



#### Histoire de Tourbillon 4

Reflecting the history and tradition of fine watchmaking, Harry Winston's high horology timepieces represent the pinnacle of mechanical and aesthetic sophistication, and capture the House's continued commitment to excellence in creative innovation.

This commitment was best exemplified through the launch of the Histoire de Tourbillon 4, a limited edition timepiece featuring a tri-axial tourbillon, one of the most complex tourbillons created. The heart of the timepiece is a single oscillator, contained within three concentric cages. Rotating at different speeds and positioned at different angles relative to one another, the precise choreography of each component delivers the ultimate in performance and split-second accuracy by ensuring that at no moment will gravity disrupt the steady rhythm of the oscillator.

The watch represents the latest in the limited edition Histoire de Tourbillon series, which launched in 2009 and is dedicated to the precision and craftsmanship of one of the most revered and complex horological complications.



#### Opus XIII

Launched in 2001, the Opus series represents a collaboration between the House and master watchmakers working together to push the boundaries of horological innovation, using groundbreaking designs and movements previously unseen in the watchmaking industry.

The brand debuted its latest edition, Opus XIII, during the annual Baselworld trade fair. Developed in partnership with watchmaker Ludovic Ballouard, the timepiece is built around a double jumping retrograde system comprised of 570 parts, expressing time through a complex system of pivoting minute hands and rotating hour indicators. As time advances, the minutes accumulate around the dial, with every five minutes marked in red. Upon reaching the hour, the minute hands remarkably vanish in unison, and are replaced by a triangular hour marker, which appears from behind a faceted crystal dome.



## Presence

### Red Carpet

Known as the “Jeweler to the Stars,” Harry Winston has been synonymous with Hollywood since the early 1940s, when the company’s founder became the first jeweler to loan diamonds to an actress for the Academy Awards. Continuing this tradition, Harry Winston fine jewelry and timepieces were worn by leading celebrities and influencers at the most prestigious red carpet events throughout the year, including the Academy Awards, Golden Globes, BAFTAs, Screen Actors Guild, Cannes Film Festival, the Metropolitan Museum of Art Costume Institute Gala and international film premieres.

### Salon Openings

Harry Winston continued to focus on developing its global presence with the opening of new salon locations that continue to position the brand in the most prestigious and luxurious retail settings. In Europe, salons were opened in Geneva on rue du Rhône, and in Paris on rue de la Paix, marking the brand’s second location in the city. In Asia, retail spaces were opened at Sogo in Yokohama and at Daimaru in Kobe, two of Japan’s leading department stores.

Drawing references from the architecture and design of the brand’s historic Fifth Avenue flagship in New York, the new salon interiors reflect a contemporary variation on traditional Winston style with dedicated areas designed to highlight Harry Winston’s key product focuses, high jewelry, bridal and timepieces.

Earlier in the year, the brand also began the process of renovating and restoring its historic flagship in Paris, located on Avenue Montaigne, which will reopen within the next year.

### Exhibitions

Harry Winston was selected to participate in “Wallpaper\* Handmade”, the magazine’s exhibition which took place in April during the Salone del Mobile in Milan, Italy. The brand was commissioned by the publication to create an extraordinary one-of-a-kind object outside its typical product assortment, by applying its expertise in craftsmanship and design.

Working with a New York-based industrial artist, the brand conceptualized and developed “The Ultimate Jewelry Box,” which paid tribute to the intricate art of shaping diamonds. Measuring 60 cm x 40 cm, the impressive box was hand-carved in an intricate woven motif, and finished with crystal and chrome detailing in the interior. The Ultimate Jewelry box was also selected to appear alongside other creations from “Wallpaper\* Handmade” during a best-of exhibitions at Harrods department store in London and Design Miami.

### Philanthropy

Building on Mr. Winston’s legacy of supporting local communities through philanthropy, Harry Winston continued its support of leading non-profit organizations through the Harry Winston Brilliant Futures Charitable Program. In the USA the brand entered its second year of partnerships across the retail salon network, including Memorial Sloan-Kettering, The Help Group, CHOC Children’s Hospital, and Voices for Children. In Asia, the brand also expanded its philanthropic collection, the Harry Winston Hope Collection, to Japan in support of Chance for Children, and entered its third year with the International Youth Foundation in China.









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## Trends

2013 was a highly successful year for Blancpain, marked by the achievement of record sales, a new booth at Baselworld, the development of new calibers, the inauguration of new boutiques, the strengthening of partnerships around its three communication pillars and the anniversary of the Fifty Fathoms.

- Blancpain inaugurated a new stand at Baselworld. This airy, more spacious area spread over two floors places great emphasis on sales rooms and presentation as well as on the art of living. The atmosphere is reminiscent of the brand's boutiques and its manufacture in Le Brassus (Vallée de Joux, VD). The external décor – which applies the principle of anamorphosis, a technique used to present three visuals on the same wall – made a big impression.
- Thanks to its ongoing creativity, in 2013, Blancpain's Research & Development Department presented three new calibers, including two Grand Complication models.
- Blancpain pursued its strategy of opening monobrand boutiques, particularly in China and Hong Kong.
- Blancpain strengthened its presence in its three communication worlds: motorsports, the support of oceanic exploration and protection, and the art of living.
- Blancpain celebrated the 60th anniversary of the Fifty Fathoms, the first modern diving watch.

In 2013, Blancpain continued to achieve excellent performance worldwide particularly in Asia. China, Hong Kong and Switzerland are all privileged markets for the Manufacture in Le Brassus (Vallée de Joux, VD). In parallel, the excellent reputation enjoyed by the brand in Asia resulted in a reinforcement of the markets that host Asian tourists.





## Creation

### **Collection Le Brassus, Tourbillon Carrousel: an original combination and a movement-based contrast**

The tourbillon and the carrousel belong to the major achievements aimed at reducing the effects of gravity on the running of a movement. For the first time in watchmaking history, Blancpain presented a wristwatch combining these two regulating organs. This model representing an authentic technical feat is equipped with a flying tourbillon at 12 o'clock, a flying carrousel at 6 o'clock and a date display at 3 o'clock. The differences and similarities between the mechanisms are truly eye-catching, as is the beauty of their rotation.

### **Collection Le Brassus, Carrousel, Répétition Minutes et Chronographe: an awesome trio**

Few watch brands are capable of offering models endowed with a Grand Complication movement and even fewer actually develop such calibers themselves. Blancpain thus once again aimed for the very peak of the watchmaking art by associating a minute repeater carrousel with a flyback chronograph in an automatic version. This new watch in the Le Brassus collection is distinguished by the entire palette of exclusive complications, the most important of which is the famous one-minute flying carrousel. This trio of sophisticated complications is presented in a 45mm red gold case whose openwork dial features a chapter ring, a 30-minute counter and hour-markers in Grand Feu enamel.

### **Collection Fifty Fathoms, Bathyscaphe: immersed for 60 years and as modern as ever**

Since its creation in 1953, the Fifty Fathoms by Blancpain has been the archetypal modern divers' watch. Sixty years later, two new models have enriched a fabulous lineage that has earned iconic status. Presented in men's and ladies' versions, the 2013 edition of the Fifty Fathoms Bathyscaphe incorporates the latest watchmaking developments. Faithful to the original version with its sharp angles and retro-style hands, this vintage-inspired model is also resolutely geared towards the future with a movement featuring a silicon balance-spring, a bezel with a ceramic insert and a graduated scale in Liquidmetal. The new Fifty Fathoms Bathyscaphe is water-resistant to 30 bar.

### **Women Collection, Chronographe Flyback Grande Date: in step with contemporary women**

A pioneer since the 1930s in the creation of ladies' watches equipped with automatic movements, Blancpain is pursuing this path and regularly offers watches developed for women with a penchant for horological complications. The new Chronographe Flyback Grande Date in the Women Collection combines a delicate mother-of-pearl face with an automatic heart and several complications within a generously sized gem-set model. This watch is driven by the new Caliber 26F8G, a 495-part mechanical automatic movement. Its sapphire crystal caseback provides an opportunity to appreciate the finishing work lavished on the parts and to admire the feminine charm of the petal-shaped oscillating weight.



## Presence

The oldest watch brand in the world was one of the first brands to be established in China and officially opened its eighth boutique in the Forbidden City on June 14, 2013 at a ceremony attended by its President, Marc A. Hayek. Blancpain affirmed its strong presence in China through this new flagship in Shanghai's Xintiandi district. Its new boutique incorporates an after-sales service center with four workbenches visible, thus enabling clients to appreciate the work of its watchmakers. On the upper floor, a Blancpain Lounge Bar offers a range of Swiss-made products. At the inauguration, a unique Traditional Chinese Calendar piece was presented... and sold!

Blancpain launched the celebrations for the 60th anniversary of the Fifty Fathoms, the very first modern diving watch, during Baselworld, with an exhibition on the Swatch Group Plaza, retracing the birth and development of this icon, as well as its evolution since it was re-launched at the beginning of the millennium. Visitors were thus able to discover vintage Fifty Fathoms models and historic patents as well as the current collection, all enhanced by breathtaking underwater photographs. The exhibition was then presented in Shanghai, Beijing, Singapore and New York.

Blancpain also launched a new advertising campaign during Baselworld, featuring five new visuals in which emotion plays a prominent role and the watch and brand logo become a signature.

## Motorsports

In 2013, Blancpain confirmed its long-term commitment to the world of GT and further strengthened its presence through various championships, including the Blancpain Endurance Series, the ADAC GT Masters, the Lamborghini Blancpain Super Trofeo,

the FIA GT Series and the British GT Championship in Europe, the Lamborghini Blancpain Super Trofeo in Asia and the launch of the Lamborghini Blancpain Super Trofeo in North America.

Emphasis was placed on the television broadcasting of the Blancpain Endurance Series and the FIA GT Series. Each step of the Blancpain Endurance Series was the subject of a 52-minute documentary on Eurosport; more than 150 TV commercials combining watchmaking and motorsports were broadcast on the same network. RTL and RTL Nitro also broadcast the Blancpain Endurance Series and the FIA GT Series.

Blancpain's commitment to motorsports took a symbolic turn in 2013 with the creation of a team bearing the brand's colors. Registered in Switzerland, the new team, christened Blancpain Racing, proudly carries the Swiss flag! Blancpain President Marc A. Hayek and co-driver Peter Kox also took part in the Blancpain Endurance Series.

The partnership linking Blancpain and Automobili Lamborghini was strengthened with Blancpain's participation as main sponsor of the 50th anniversary of the bull bearing brand. In this capacity, Blancpain was present at the various international events punctuating this anniversary culminating in the Grande Giro Lamborghini 50° Anniversario as the high point. From 7 to 11 May 2013, 350 supercars passed through Italy's most beautiful cities ending up on Lamborghini's home ground at Sant'Agata Bolognese.

## The underwater world

With Blancpain's support, underwater photographer and naturalist, Laurent Ballesta, together with specialist deep divers, researchers and scientists, directed an expedition to the kingdom of the coelacanth in South Africa. This furtive, mysterious creation is one of the oldest on earth, a prehistoric fish whose appearance dates back to the dinosaur era. This expedition rep-



resented an immense challenge because the coelacanth lives 120 meters under the sea. The coelacanth came to the party from the very first dive when Laurent Ballesta and his team filmed, photographed and studied this unusual fish. A documentary broadcast on Arte described this exceptional expedition.

For the third consecutive year, Blancpain partnered the Pristine Seas Expeditions organized under the auspices of the National Geographic Society. In 2013, these expeditions visited territory and waters as varied as the Desventuradas Islands off the Chilean coast and Franz Josef Land in the Russian Arctic as well as New Caledonia. The aim of these expeditions is to discover, explore and study the last healthy, intact areas of the oceans with the objective of contributing to their protection.

Love is required in order to respect and protect. And knowledge is required in order to love. True to this motto, Blancpain had the honor of being selected by the United Nations Division of Ocean Affairs and the Law of the Sea to present "Oceans" – an exhibition of underwater photography. This exhibition was open throughout the second semester of 2013 at the Visitors' Center at the United Nations Headquarters in New York. The work of the 16 well-known exhibiting photographers, including Marc A. Hayek, is linked to the *Editions Fifty Fathoms*, Blancpain's annual publication dedicated to underwater photography.

**Art of Living**

Blancpain has long maintained close relations with the culinary arts and was present in 2013 in the renowned New York restaurant Eleven Madison Park where chef Daniel Humm, who is only 36, was given his third Michelin star. The Swiss chef, whose skill as been honored with numerous international awards, is committed to the same values as Blancpain: perfection and respect for tradition and creativity.

Blancpain shares the same sense of distinguished, convivial hospitality with the best hotels. Since 2005, the brand has made a name for itself as the watchmaking partner to the general assembly of the Leading Hotels of the World. During the 2013 event, Blancpain rewarded the winners of the Leaders Club Award, Commitment to Quality Awards and Leading Legend Award categories with watches engraved with the commemoration "Best Hotelier of the Year 2013".



BLANCPAIN: ONE OF THE FACETS OF SWATCH GROUP





*Glashütte*  
ORIGINAL

## Continuing a tradition of celebrating women

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

### Trends

In 2013, Glashütte Original's year was characterized by strong demand from all markets. The brand once again enjoyed solid growth in its main markets: Germany, the USA, Asia and the Middle East.

With the recruitment of additional employees at its Glashütte (Saxony) and Pforzheim (Baden-Württemberg) sites, the company was able to meet increased global demand. Thanks to the creation of trainee positions, the total staff was increased to around 520 employees. Glashütte Original welcomed 28 new apprentices in 2013, 24 of whom are learning to be watchmakers and four who are training to be toolmakers.

With the launch of its Pavonina ladies' watch collection at the beginning of the year, the manufacture from Saxony made a boldly glamorous statement. Glashütte Original recalled a tradition of watches that consider women's desires for smaller models that are easier to use. The new collection was successfully introduced in Germany and elsewhere in Europe, as well as in the USA, and will also be distributed in Asia soon.

Investments made by Swatch Group enabled the expansion of the Glashütte headquarters without any interruption of production, thus achieving the required increase in production capacity. The renovation is scheduled for completion in early 2014.

### Creation

#### Senator Tourbillon

This new model presents the flying tourbillon, developed by Alfred Helwig in 1920, in the elegant framework of the modern design of the classic Senator line. This timepiece is part of the manufacture's "Art & Technology" pillar; the masterpiece combines unique beauty, outstanding craftsmanship and great technical refinement.

#### Senator Chronometer Regulator

This model combines the performance guaranteed by its certified chronometer status with the classic display of a regulator. Equipped with a polished head, the blued minute hand dominates the center of the dial's lacquered, grained silver-toned surface. The subtle elegance of this timepiece is the very expression of the art of German watchmaking that characterizes Glashütte Original.

#### Sixties and Sixties Panorama Date

Since they were first presented in 2007, the Sixties models' great popularity has extended not only to vintage watch fans. This collection reflects the fascinating 1960s with a contemporary design that is at once retro-modern, elegant and pure. In 2013, the Manufacture enhanced its collection with two new Sixties timepieces in powerful midnight blue.





**Pavonina**

The models in the Pavonina collection are impressive in their variety. The design of the eye-catching case recalls the 1920s, a decade during which this distinctive cushion shape was as popular as it is today. The intricate, finely crafted dials are feminine and richly varied. Produced in the brand's own dial manufacture, the glamorous dials are set with brilliant cut diamonds.

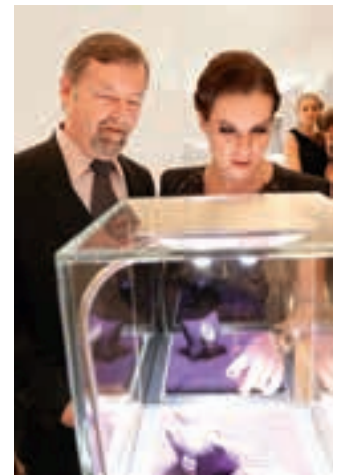
**Presence**

**Berlin International Film Festival**

Glashütte Original has been a partner of the Berlin International Film Festival since 2011 and has actively supported the art of filmmaking. For the third year of the partnership, and in partnership with the "German Cinema Perspective" section of the Berlin International Film Festival, the watch brand awarded the "Made in Germany – Förderpreis Perspektive" prize, which aims to support young producers both financially and conceptually.

**Celebrating Women Events Series**

Glashütte Original organized prestigious events with the theme "Celebrating Women" in selected cities across the world, including Berlin, Paris, New York and Moscow, designed to present the new Pavonina collection and to celebrate women. In showrooms decorated with art, tribute was paid to the modern woman. Ice skating legend Katarina Witt and actresses Iris Berben and Natalia Wörner accepted Glashütte Original's invitation to attend the event marking the kick-off of the launch in Berlin.



**Traveling exhibition in China**

With the motto "German Watchmaking Art since 1845", Glashütte Original presented its arts and crafts across China with a four-month traveling exhibition. Glashütte Original stopped off in seven cities including Harbin, Chengdu and Xi'an, in order to offer visitors a glimpse of the art of German engineering.

**Anniversary of the German Watch Museum Glashütte**

On May 22nd 2013, the German Watch Museum Glashütte celebrated its fifth anniversary, presenting highly positive mid-term results during the ceremony. Over the past years, more than 185000 visitors from all over the world have visited the permanent exhibition and the various temporary exhibitions, thus experiencing the fascination evoked by Glashütte's art of watchmaking.



J\*  
D  
JAQUET DROZ  
SWISS WATCHMAKER SINCE 1738

# The art of astonishment

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







## Trends

### Jaquet Droz celebrates 275 years of Fine Watchmaking

In 2013, Jaquet Droz celebrated its 275th anniversary, perpetuating its founder's avant-garde spirit and refined aesthetic. Nearly three centuries after its birth, the link between the Age of Enlightenment and the third millennium remains intact. In order to pay tribute to Pierre Jaquet-Droz, a varied and complex individual, in 2013 the brand published *Le Génie Jaquet-Droz* – a romanticized biography born of a remarkable piece of research.

### Jaquet Droz Presenting Partner of the Bèjart Ballet Lausanne

Moving beyond traditional forms of sponsorship, in 2013 Jaquet Droz became the exclusive presenting partner for the 80 annual international performances staged by the Bèjart Ballet Lausanne. The meeting of the watch brand and the custodian company of Maurice Bèjart's heritage represents the union of two worlds in perfect artistic harmony that share the same passion for movement.

### Jaquet Droz continues developing its Ateliers d'Art

Jaquet Droz strengthened the development of its Ateliers d'Art with the recruitment of new talents. Presented in 2013 and a true symbiosis the know-how of the brand's craftsmen, the Petite Heure Minute Season marries engraving, sculpture and miniature painting.





## Creation

### The Charming Bird

Following the success of the Bird Repeater, the automaton watch presented in 2012, in 2013 Jaquet Droz presented The Charming Bird, the latest model in a watchmaking saga started in 2010. After introducing miniature painting, engraving, sculpture and then automata to its range of creations, the brand reveals a miniature singing bird that is a world première that has been patented. Driven by an incredibly delicate mechanism, the bird turns, flaps its wings, moves its head and tail and opens its mouth to whistle. This singing automaton is the result of an exceptional challenge accepted by Jaquet Droz craftsmen.

### Lady 8

In 2013, Jaquet Droz launched the Lady 8, its new exclusively feminine line. Much more than a watch, the distinguishing feature of this High Jewelry model is its bezel that is intertwined with a gem-set ribbon that emphasizes its curves and highlights its design and refinement. Providing the ultimate coquettish touch, the pearl or the round, mobile gemstone placed on top accentuates the watch's precious appearance.



## Presence

### Jaquet Droz celebrates its Anniversary

In June 2013, to commemorate its 275th anniversary, the brand born in 1738 revealed an exceptional traveling exhibition at the Swatch Art Peace Hotel in Shanghai attended by its President, Marc A. Hayek. Sequenced in five chapters, it provides awareness and understanding of all the different aspects of Jaquet Droz and the manner in which its heritage is today perfectly preserved and perpetuated. Several thousand visitors made this journey through time with historical pieces from the 18th century and contemporary creations: automata, exceptional creations from the Ateliers d'Art, birds of every kind – all competed in beauty with ancient pieces, timeless icons that have become watchmaking legends. This brand new roadshow then traveled to Asia followed by Russia, prior to continuing to the rest of the world.

### Boutiques

Jaquet Droz inaugurated two new boutiques. In June, the brand opened its very first boutique in mainland China in Shanghai, which was the sixth in Asia after Hong Kong, Macau and Tokyo. In collaboration with Glashütte Original, Jaquet Droz also opened a boutique in Geneva on the prestigious Rue du Rhône. The two brands from the Swatch Group's luxury prestige segment are thus sharing a boutique that is focused on design and refinement.



JAQUET DROZ: ONE OF THE FACETS OF SWATCH GROUP





# A passion for equestrian sports

www.longines.com

## Trends

In 2013, Longines continued to achieve market growth and increased its support for the world of equestrian sports through several partnerships. The Conquest Classic collection, presented at Baselworld, reflects the brand's passion for the sport in the same way as the chronographs it has produced for racing enthusiasts and jockeys since 1881.

At the beginning of the year, Longines formalized a partnership agreement with the International Equestrian Federation (FEI), becoming the Federation's first "Top Partner". Her Royal Highness Princess Haya, President of the FEI, and Nayla Hayek, Chair of the Swatch Group Board of Directors, co-signed the contract at an official ceremony held in Lausanne. Longines thus became the official timekeeper and the official watch brand of the FEI, notably for the Furusiyya FEI Nations Cup, as well as Title Partner of the Longines Rankings and the Longines FEI World Cup Jumping. The brand also gave its name to the Longines Rising Star Award, an FEI Award given to a rider, 14–21 years of age, who has shown exceptional talent and sporting commitment to the world of equestrianism. This year it was awarded to the American rider Reed Kessler.

With its slogan "Elegance is an attitude", Longines continued to support young athletes. In this manner, during Roland-Garros, the Longines Future Tennis Aces tournament enables promising young tennis players to step onto the Parisian clay court. In flat racing, the Prix Longines Future Racing Stars, open to young jockeys, was run in conjunction with the Prix de Diane Longines at Chantilly. In 2013 Longines extended its support to Alpine skiing with the Longines Future Ski Champions, with young skiers taking part in a giant slalom on the official competition course at Val d'Isère.

## Creation

In 2013, Longines unveiled watches that represent each of its four pillars.

### **Elegance: Longines DolceVita**

With its distinctive rectangular case and incomparable elegance, the Longines DolceVita collection represents the gentleness of the Italian style of living. These models are produced in four sizes with a host of variations to satisfy the tastes of all women who wish to add a touch of *dolce vita* to their daily lives.

### **Watchmaking tradition: Conquest Classic**

As a partner of the world's most beautiful flat racing events, Longines wished to produce a collection of timepieces to wear in the parade ring during the most elegant race meetings. In the same spirit as the chronographs produced for racing enthusiasts and jockeys since 1881, the Conquest Classic line preserves the brand's values of elegance, tradition and performance.

### **Sport: HydroConquest**

HydroConquest are the quintessential diving watches and appeal to all those who love diving and other water sports. Available in a wide array of colors and representative of Longines' expertise in the sport, the new HydroConquest models are ideally suited to exploring marine life or simply affirming their sporting credentials.

### **Heritage: The Longines Heritage 1968**

The Longines Heritage 1968 is smart and bold, and offers an invitation to travel back in time. At first sight, it has a square, rather classic appearance but then the watch becomes more interesting with a slightly beveled crystal that extends beyond the edge of the case. The trapezium-shaped date window also gives it a fresh, daring look, a departure from the strict shape of the case. A black alligator strap adds a final understated touch to this watch, which is fitted with a mechanical movement.



## Presence

### Boutiques

Longines continued to build its international presence in 2013 and opened several boutiques around the world.

### Equestrian sports

Longines' attachment to equestrian sports dates back to 1878 when it produced a chronograph engraved with a jockey and his horse. Today, the brand is present around the world at flat races, show jumping and endurance events.

For many years Longines has been a special partner of the world's most beautiful flat race meetings. This year, it organized the first Longines Ladies Awards on the day before the Prix de Diane Longines at Chantilly. These awards recognize exceptional commitment by women on behalf of the equestrian world. Simon Baker, Longines Ambassador of Elegance, headed a jury of experts from this world as they selected the 2013 winners: Princess Zahra Aga Khan, Athina Onassis de Miranda and Sophie Thalmann. This year the brand also signed a new partnership agreement with the International Federation of Horseracing Authorities (IFHA) and presented the Longines World's Best Racehorse ranking. Awards for the top three horses in the ranking were presented at the Gala Evening of the Longines Hong Kong International Races. The brand also awarded the Longines and IFHA International Award of Merit to the person who had the biggest impact on the world of international horseracing. The 2013 winner was the Irish owner, breeder and trainer, Jim Bolger.

Longines was first involved with a show jumping competition in 1912 and renewed its commitment to the discipline in 2013, notably by signing a historic partnership with the FEI. As part of this agreement, Longines was the official timekeeper at the Furu-siyya FEI Nations Cup and became the Title Partner of Longines FEI World Cup Jumping, which was inaugurated in October in Oslo. The brand also gave its name to the prestigious Longines Global Champions Tour as well as the Longines Hong Kong Masters, which enjoyed a highly successful first edition.

In endurance riding, Longines was the partner and official timekeeper of the H.H. Sheik Mohammed Bin Rashid al Maktoum Endurance Cup that took place at the start of the year in Dubai.

### Tennis

As an official partner of Roland-Garros, Longines organized the Longines Future Tennis Aces tournament, with 16 tennis prodigies aged 13 and under from around the world. For two days they were able to train in the Longines Academy alongside professionals and then take part in the three-day tournament on a court installed in front of the Hotel de Ville in Paris. Young German Rudolf Mollerer was the winner, beating the Spaniard, Carlos

Sanchez Jover. The two finalists then played in an exhibition match with Fabrice Santoro and Arnaud Clément.

Longines continued to support the foundations of its ambassadors, Andre Agassi and Stefanie Graf, "The Andre Agassi Foundation for Education" and "Children for Tomorrow".

### Alpine skiing

As Official Timekeeper of the FIS Alpine Skiing World Cup, Longines supports the "great white circus". At the end of the season, it awarded the Longines Rising Ski Stars to American Mikaela Shiffrin and Frenchman Alexis Pinturault as the two best skiers under 21 for women and under 23 for men. In 2013, Longines also presented a new project for young hopefuls, the Longines Future Ski Champions. Sponsored by Norwegian skier and Longines Ambassador of Elegance, Aksel Lund Svindal, 14 skiers under 16 competed in two runs of a giant slalom on the official course at Val d'Isère.

### Gymnastics

For more than 20 years Longines has been the official partner and timekeeper at the artistic and rhythmic gymnastics championships of the International Gymnastics Federation (FIG). This year the brand awarded the Longines Prize for Elegance during the world championships in Kiev and Antwerp. In rhythmic gymnastics, the Ukrainian Ganna Rizatdinova won the jury's hearts, while in artistic gymnastics, American Kyla Ross and Japan's Kohei Uchimura showed matchless elegance in their routines.

### Archery

As an official partner of the Archery World Cup, Longines awarded the Longines Precision Prize to Americans Erika Jones and Braden Gellenthien at the finals in Paris.



LONGINES: ONE OF THE FACETS OF SWATCH GROUP





TOP OF THE RANKINGS ON



EVERY SURFACE

**RADO**  
SWITZERLAND  
RADO HYPERCHROME  
COURT COLLECTION  
OFFICIAL TIMEKEEPER  
**LTA** BRITISH  
TENNIS



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

## Designs on the future

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

### Trends

#### Tactile technology

Drawing on years of Swatch Group expertise in touch technology, Rado introduced a genuine first to the watchmaking world: the first high-tech ceramic watch with touch functions. With no crown, the beautiful, sleek and sensual curved lines of the Esenza Ceramic Touch case are uninterrupted, ensuring a fluid and minimal design. The touch technology allows the watch to be activated in two simple steps, after which time can be turned back or made to fly by in a single stroke. This Rado innovation proved incredibly popular following its presentation at Baselworld with six models launched in 2013.

#### Hard as nails, light as a feather

Every year Rado presents a material innovation and this year saw the launch of a watch with a distinctive "old bronze" color. Si3N4 TiN is a form of ultra-light high-tech ceramic and was used to make the monobloc case of the Rado DiaMaster RHW1 Limited Edition – one of the brand's highlights in 2013. A rugged, masculine looking watch, it tips the scales at an incredibly light 70g. Also featuring on a number of new models in the collection was Rado's plasma high-tech ceramic. This amazing form of modern alchemy magically transforms the molecular structure of white high-tech ceramic, giving it a warm grey metallic sheen that is unique in the watchmaking world. The Rado HyperChrome Collection and the new collection of Rado DiaMaster watches showed this material off to perfection.

#### Another door opens

Building on its increased presence in 2012, Rado opened another eight boutiques during 2013 in some of the world's premier shopping locations and most prestigious malls. Grand opening events in Hong Kong, Taipei and Shanghai as well as in the Indian cities of Jaipur and Chennai generated significant coverage locally. Rado now has a total of 82 monobrand boutiques worldwide.

#### Ace!

In the world of tennis, Rado increased its presence at tournaments and its online offering, creating and launching a dedicated tennis website. Including up-to-date statistics about the careers of its ambassadors, as well as countdown clocks to and top facts about the prestigious tennis tournaments it sponsors, Rado went all out for tennis in 2013.



## Creation

### Rado Esenza Ceramic Touch – Sensual setting

In 2001 Rado introduced its first crownless watch in the shape of the Rado Esenza, where the time was set using a tiny micro-magnet. In 2013 Rado presented the Esenza Ceramic Touch. In sleek and smooth shiny black or white high-tech ceramic, the monobloc case is injected at high pressure and then polished to perfection. Four tiny electrodes sit between the case and the circuit inside, allowing the watch to be set by touch alone.

### Rado HyperChrome Court Collection – best accessorized with a trophy

Rado presented its HyperChrome Court Collection in the exclusive and prestigious surroundings of the Miami Masters tennis tournament in Miami in spring. The three eye-catching chronographs come with details in green, representing grass courts, orange for clay and blue for hard court. For the first time since its return to the world of tennis Rado sponsored tournaments played on each of these surfaces. The green version was one of the most photographed watches of the year as it adorned the wrist of Rado brand ambassador Andy Murray when he became the first British man for 77 years to win Wimbledon.

## Presence

### On court worldwide

Rado corner clocks and branding were visible on court at twelve major tournaments in the USA, Europe, Asia and the Middle East. Highlights of the year included the Miami Masters, where Rado hosted guests in an exclusive suite with a spectacular view of Center Court where they watched brand ambassador Andy Murray win the tournament for the second time in his career. It also saw the launch of the Rado HyperChrome Court Collection. The Porsche Grand Prix in Stuttgart is known on the tennis circuit as one of the best loved tournaments among players and spectators. It has a fantastic atmosphere and Rado was an integral part of the action, providing corner clocks and inviting special guests to meet brand ambassador and German tennis star, Julia Görges. In the UK, Rado agreed a three-year deal with the LTA, securing its sponsorship of top grass court tournaments including the famous Queen's Club Championships in central London. Again, Andy Murray emerged victorious, his win proving the perfect preparation for his Wimbledon win two weeks later. The strong presence at tournaments was again supported by an integrated marketing package including CNN and Eurosport, and POS in the countries hosting the tournaments benefited from extensive additional branding.



### A world of design

Rado has always been heavily involved in the world of design and 2013 saw a commitment to a number of important design events throughout Europe including Paris Design Week and Vienna Design Week. The brand also ran a number of Rado Star Prize design competitions aimed at giving new designers a platform to exhibit their work.

### Ambassadors

Bollywood megastar Hrithik Roshan had a busy 2013 filming and promoting his latest blockbuster but still found time to attend two press events in India: the first, to present the Rado HyperChrome Collection and the second to unveil the new plasma high-tech ceramic watches in the collection. Suave and sophisticated as ever, Hrithik is always perfect when it comes to representing Rado.

Multitalented Russian ambassador Renata Litvinova was the star of a brand new Rado advertising campaign, which saw her in a variety of situations from her everyday life: as actress, screenwriter, director – and style icon. The campaign was shot across two days in Milan and received coverage in her homeland, as well as in fashion magazines in Europe.



Actress, model and TV presenter Lisa Ray lent her ever glamorous presence to a number of events in India where she was the guest of honor at new store openings. In her home country of Canada, she dazzled at an event to present the Rado Esenza Ceramic Touch, proving herself to be the perfect model for this most feminine of watches.

Taiwanese singer and actress René Liu also featured in a brand new Rado advertising campaign, set against the backdrop of her home city of Taipei. She was also on hand to celebrate the opening of new Rado stores in China and the luxurious Taipei 101 mini-boutique in Taiwan's tallest building.

Andy Murray reached the pinnacle of his chosen sport in 2013 winning the Miami Masters, the Queen's Club Championships and achieving his boyhood dream of winning the men's singles title at Wimbledon. Rado was with him every step of the way and even found time to film a television commercial with the new tennis superstar between tournaments. "Your Life Your Game" shows Andy at an unusual training session on his way to tennis practice and testing the scratch-resistance of his Rado watch.



# UNION

## GLASHÜTTE/SA.

# 120 years of German watchmaking art

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

## Trends

Founded in 1893 by Johannes Dürrstein, Union Glashütte celebrated its 120th birthday in 2013. Once more, demand increased considerably. The fine design stemming from Glashütte (Saxony), combined with high quality mechanics, not only delighted German consumers, but also increasingly impressed tourists. Production capacity was further expanded. Thanks to above-average growth and the resulting increased demand from end consumers, Union Glashütte was able to strengthen its brand presence significantly in the area of specialized trade.

## Creation

### 1893 Large Second and 1893 Small Second

For the 120th anniversary of Union Glashütte, the brand launched the 1893 models in both Large Second and Small Second editions. Both timepieces blend traditional appearance with unconventional stylistic elements. The pioneering horizontal arrangement of the 1893 Large Second's two dials unusually positions the large seconds display on the right-hand side at 3 o'clock, while the main dial – slightly reduced in size – is located on the left. On the 1893 Small Second, the arrangement is asymmetrical and positions the small seconds sub-dial at 7 o'clock on a conventionally-sized main dial.

### Ladies' Seris Chronograph

The new chronograph in the ladies' Seris collection combines mechanical precision and sportiness with a touch of luxury. The finely crafted case and mother-of-pearl dial, combined with the 64 sparkling diamonds, create a classy and vibrant effect.



**Noramis Big Date**

There is no doubt that the Noramis product line is one of the leading models in the Union Glashütte collection. A further model with a big date has been added to the Noramis family. The enlarged date display, a specialty of many watches from Glashütte, the small Saxon town in the Ore Mountain region, is combined with the typical retro design of the Noramis line.

**Presence**

**Vintage car rallies – Sachsen Classic and Silvretta Classic**

For the fourth year in a row, Union Glashütte was one of the main partners of the well-known Sachsen Classic vintage car rally. Classic cars and the traditional German brand make a perfect match. Union Glashütte was omnipresent at the rally this August and this year’s event was once again marked by a limited run of a Noramis Sachsen Classic model. In 2013, Union Glashütte was also introduced as a partner to the Silvretta Classic Rally, which runs through Switzerland and Austria.

**Retailers – Event in Dresden**

In June, Union Glashütte invited German retailers to Dresden for a show of new products. To mark the brand’s 120th birthday, an impressive collection of old Union Glashütte watches was also on display. Guests were impressed by the brand’s rich history. To round off the evening, customers were able to enjoy an elegant evening at Dresden’s Semperoper opera house.



VON DER ZEITLOSEN SCHÖNHEIT  
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Unsere Leidenschaft für handgefertigte Präzisionsarbeit, ein außergewöhnlich hoher Qualitätsanspruch und eine ausgeprägte Liebe zum Detail wissen anspruchsvolle Uhrenliebhaber schon seit über 120 Jahren zu schätzen. Sie finden ihren Ausdruck in exklusiven mechanischen Zeitmessern, die zu den Meilensteinen deutscher Uhrmacherkunst zählen: Erstklassige Uhren aus dem traditionsreichen Haus UNION GLASHÜTTE, die wie der Seris Chronograph immer wieder neu fasziniert.

**UNION GLASHÜTTE/SA.**  
DEUTSCHE UHRMACHERKUNST. 1893

SERIS CHRONOGRAPH  
120 JAHRE DEUTSCHE UHRMACHERKUNST  
www.union-glashuette.com

**Press dinner in Hamburg**

Glashütte’s press dinner took place in September in Hamburg. Guest journalists were rounded up in vintage cars and driven to the restaurant Le Canard Nouveau, where they were able to have a look at new product lines and glance over the shoulder of Union Glashütte watchmaker Tobias Hamann at work. The fine weather made it possible to hold the aperitif on the terrace, after which guests went back inside to exchange ideas over a fine dinner.







# 160 years of tradition and innovation

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



## Trends

In 2013 Tissot celebrated its 160th anniversary. Diverse activities around the world showcased the brand's unique heritage of tradition and innovation, highlighting lots of watchmaking firsts, a relentless pioneering spirit and immense global presence. Dedicated products, events and roadshows brought a dynamic past and present to life for everyone to enjoy.

Another year of very positive growth and the biggest worldwide retail network in the Swiss watchmaking industry are clear proof of Tissot's ongoing success. Visibility at some of the world's leading sports events is further evidence of the brand's widespread appeal. A particularly proud moment was the attainment of a first and second place in the famous Concours International de Chronométrie; the first prize was won for the second consecutive time in the classic category. This is the ultimate recognition and confirmation of the quality of Tissot products.

## Creation

A 160-year horological history acted as a rich source of inspiration this year. With the new Tissot Pendant 1878 pocket watch the clocks turned back to nineteenth century Russia, where Charles-Emile Tissot, son of the company's founder, was already successfully selling Tissot timepieces. Based on a one-off creation sold in Russia in 1878, the modern piece is a highly refined, hand-wound mechanical pocket watch. Bridging historical inspiration and a future-orientated mindset is the Tissot Heritage Navigator 160th Anniversary. Tissot has always loved reaching new horizons and this watch, inspired by a 1953 edition to celebrate the centenary, mirrors that with 24 time zones – a world watchmaking first at the time of its original launch. Classical elegance translates into top performance with an automatic movement officially chronometer-certified by the COSC (Contrôle Officiel Suisse des Chronomètres).

Tissot's long track record of setting new standards in meaningful technical expertise found expression in four new movements. The Tissot Powermatic 80 Automatic caliber demonstrates ultimate precision combined with 80 hours of power reserve – other watches in the mid-price segment generally have 42 hours. This made a successful debut in the Tissot Luxury, fol-



lowed by integration into the Tissot Lady Collection. The revolutionary new 2825 movement afforded Tissot various dial design opportunities, exploited in 2013 to great effect in the Tissot Couturier Small Second. The new E08 and E09 quartz movements demonstrated their efficiency in the Tissot Couturier Big Date. Bringing together beauty and technology for all to see, the Tissot Skeleton 6497 movement provided a popular fascination factor in the Tissot T-Complication Squelette.

Timepieces in the spotlight from the 2013 collection included the Tissot Lady 80, Tissot T-Complication Squelette and Tissot T-Race Touch. Contemporary ladies certainly came first in the creation of the Tissot Lady 80, which merges stunning looks and mechanical prowess thanks to the 80 hours of power reserve stored in its Powermatic 80 automatic movement. Eye-catching tributes to femininity include petal-like hands and a beautiful rose design on the partially open case back. The theme of revealing the innermost secrets of precision timekeeping is also the signature of the Tissot T-Complication Squelette. Here a wheel-inspired case design and specially developed hand-wound movement provide a behind-the-scenes perspective that leaves virtually nothing to the imagination. Combining the established strength of the Tissot T-Race and Tissot Racing-Touch, the Tissot T-Race Touch got off to a powerful start in 2013. This ultra-modern sports watch has styling with roots in the brand's established passion for motorsport. Its 12 tactile functions range from a logbook to a compass and it integrates a sophisticated chronograph facility for lap or other interval timing.

Bringing the broad range of Tissot timepieces to fans all over is a sales network that ranks as the largest among Swiss watch brands worldwide. To date this incorporates 200 monobrand stores. The city of Paris alone obtained its third boutique in 2013 to meet the considerable demand of the many local and visiting Tissot lovers.

## Presence

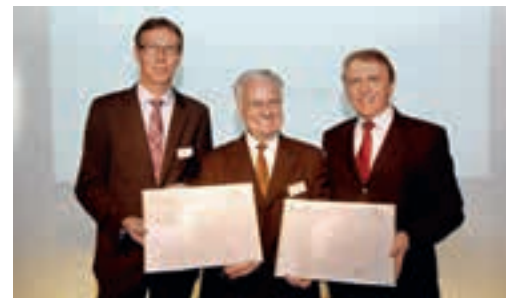
An action-packed event calendar took the celebratory spirit of Tissot's 160th anniversary to all four corners of the globe, sharing this impressive milestone with friends and ambassadors of the brand everywhere. Within the new Baselworld exhibition complex, which reflects the value and quality of the Swiss watch industry and offers increased capacity, Tissot was able to welcome many more visitors to its own new booth, which strikingly expresses the brand's corporate identity. An animated wall system drew the crowds, and visitors could even animate a movie about the Tissot Touch Collection via a unique tactile table system. A special exhibition to commemorate the 160th anniversary took pride of place on the Swatch Group Plaza on 29 April. In the center was a three-dimensional revolving glass cube symbolizing pure innovation and featuring the Tissot logo to catch the attention of all passers-by. It showed a historical movie with the product firsts that Tissot's innovative spirit considers its heroes. Thanks to a sleek modular construction this turned into a road-show, visiting key cities around the world during the course of the birthday year to complement the many other international events that took place. From July to October the Cité du Temps in Geneva hosted a dedicated historical exhibition, "160 years of Tissot moments". Guided by a timeline, visitors viewed a combination of iconic watch exhibits and film footage to discover the brand's rich heritage. In October the mood of celebration reached another peak when Tissot won the prestigious Concours International de Chronométrie in the "Classic - Enterprise" category for the second time in a row, this time securing both first and second place.

The Tissot passion for sports went from strength to strength in 2013 with new timekeeping partnerships confirming an uncompromising commitment to precision and fair competition.



A total of 11 500 young athletes from Europe, Asia and the Americas put their trust in Tissot timekeeping expertise at the Summer and the Winter Universiade in Kazan, Russia and Trentino, Italy respectively. Involvement in the winter edition, comprising twelve demanding disciplines, constituted a first for the brand. The RBS 6 Nations Championship, the greatest annual rugby championship in the world, is again a firm fixture on the Tissot sports schedule thanks to the signing of a three-year contract as Official Timekeeper. Rugby reflects many Tissot core values, such as teamwork, respect and discipline. These Championships offer the perfect platform for showcasing timing expertise in an exciting international environment. The comprehensive partnership also embraces the provision of live, on-screen and in-stadium match-timing graphics to Championship teams and broadcasting partners through Swiss Timing, a countdown clock on the competition's official website and the use of Tissot T-Touch Expert watches by all referees.

Another highlight for Tissot in the sports world was as global Partner of FIBA, which it has been for many years. As such, it benefitted from prime position to witness its Tissot Ambassador and captain of the French team, Tony Parker, lead his team throughout the EuroBasket Championship 2013 as they finally claimed their first ever European title. Tissot was very proud of its ambassador, who also earned the Most Valuable Player Award for his performances.



TISSOT: ONE OF THE FACETS OF SWATCH GROUP



# Calvin Klein

watches + jewelry

## Purity, modernity and sophistication

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

### Trends

The modern, distinctive, impactful, digitally-enhanced new booth at Baselworld provided an ideal setting for the launch of the Calvin Klein Platinum label, allowing the strongly upgraded repositioning of the brand on a visual level, notably expressed through a new advertising campaign. This rebranding is being rolled out across all communication touch points including in particular an even higher-quality distribution network, point of sales materials and a new shop-in-shop concept.

In 2013, Calvin Klein watches + jewelry implemented its sell-out strategy, achieving new records in both turnover and visibility in a number of regions, thus reinforcing its leadership in the realm of Swiss-made fashion watches. During the year, Calvin Klein watches + jewelry also increased the quality of its distribution and gained considerable market share.

Great brand awareness and strong demand for watches and jewelry resulted in an excellent result in Asia, both in image improvement and turnover, with the company once again successfully enlarging its shop-in-shop network. The shop-in-shops in China and Taiwan performed above all expectations and clearly demonstrated the brand's vast potential. 2013 was also marked by the opening of a large number of significant mono-brand stores in mainland China, Hong Kong, Singapore and Malaysia.

### Creation

Calvin Klein watches + jewelry launched a number of highlights from the 2013 line at Baselworld, including a fresh interpretation of the iconic Calvin Klein dress watch, redesigned to express contemporary femininity. The equally feminine delicate sensuality and appeal of the Calvin Klein impulsive lie in its refined construction and smooth, flowing lines; while the unisex Calvin Klein eager asserts a masterful, no-nonsense, self-assured presence on the wrist; and the sleek rounded shapes of the Calvin Klein undulate jewelry set showcase wavy, sensual shapes, expressed through two pendant necklace and ring styles along with a dainty pair of earrings.





## Presence

An exclusive rendezvous with the highly demanding fashion press held by Calvin Klein watches + jewelry took place in Miami where the brand presented its innovations to around fifty journalists, and also hosted an equally exclusive preview and party with a performance by Rita Ora at Baselworld, where guests enjoyed a special set by New York City-based DJ Mike Nouveau. Photographer, blogger and model Hanneli Mustaparta, a contributor to Calvin Klein's official Tumblr blog, was on hand to cover the event. Other guests included popular bloggers Bryanboy and Lily Kwong.

The opening of China's first Calvin Klein watches + jewelry store was celebrated at an event co-hosted by Laura Burdese, President of Calvin Klein watches + jewelry and Susan Chen, Country Manager of Swatch Group China. The new retail space is located on the ground floor of Beijing's APM Mall on the famous Wang Fu Jing Road, one of the city's trendiest shopping districts.

Leveraging the brand's rejuvenated look and feel, a new advertising campaign was launched in February 2013. Shot in New York City by photographer Mikael Jansson, it features models Suvi Koponen and Shaun DeWet, with a play on light and shadows used to create a seductive mood seen throughout the imagery.



**CALVIN KLEIN WATCHES + JEWELRY:**  
ONE OF THE FACETS OF SWATCH GROUP



**BALMAIN**  
swiss watches

## The charm of watchmaking

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

### Trends

True to its heritage and innovative potential in the realm of design, Balmain is positioning itself as the principal brand in the mid-range segment, combining watchmaking know-how and accessibility. This essentially feminine brand, with an elegance which is synonymous with grace and discretion, skillfully incorporates Swiss quality and reliability.

In 2013, Balmain continued to grow and expanded its increasing success in its various key markets. Thanks to a solid marketing strategy and an important range of products in Asia, the brand affirmed its position in the region and consolidated its market share, particularly in China and Hong Kong.

In the politically tense climate that prevailed in the Middle East in 2013, Balmain simplified its distribution in this region, and particularly in Saudi Arabia. This action resulted in an increase in sales and the further development of the brand's image.

Reinforcement of Balmain's partnership with its local distributor in the United Arab Emirates contributed to an increase in the number of points of sale, notably those in the shop-in-shops in Dubai and Abu Dhabi, resulting in heightened visibility and an increase in sales.

### Creation

#### **Elysées Round Automatic – the same for both**

Some couples are inseparable. Everything bonds them, starting with their shared tastes. Objects can be designed to emphasize the things that unite two people, like a pair of automatic Elysées watches by Balmain. The Elysées collection offers a vast choice to couples and individuals in search of a token of love or friendship.

#### **Beleganza Chrono Lady – the charm of precision**

For Miss Switzerland, as for every busy woman with great taste, the Beleganza Chrono Lady watch offers the security of reliability expressed with charm. Like every chronograph, it measures time – up to 30 minutes – but refusing the usual severity of this kind of instrument, is decorated with elegant, feminine adornments.

#### **Elysées Lady Round – chic for active ladies**

This century celebrates active women. Without giving up on their femininity even for a second, they succeed in the professional, artistic and sports worlds, not to mention public life. Their personal tools support them in their achievements. Made by Balmain, the Elysées Lady Round watch stakes its claim as an ideal companion, proof of the first glimpse of its owner's personality – that of a warrior who is fully involved in her time.

### Presence

In 2013, Balmain organized various events in its biggest, most strategic markets.

Couple watches were a big success in China and, in response to this demand, Balmain created the Elysées Round Automatic watch, which it launched during a major TV program broadcast in Peking and Shanghai and attended by Chinese celebrities.

The memory of Pierre Balmain is forever linked to the notion of feminine elegance and the spirit of perfect fashion. Thus, since 2005, the watch brand that bears his name has continued this heritage through its loyal support of the Miss Switzerland competition. Each new winner is presented with a Balmain wristwatch during a televised gala evening and is then invited to place her beauty at the service of photographers for the production of the brand's next catalogue. In 2013, stunning Dominique Rinderknecht was elected Miss Switzerland on June 8th at the Zurich Hallenstadion. Her luminous blonde hair, her attractive temperament and her warm smile emphasized an athletic, relaxed personality.







# 125 years of dynamism and precision

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

## Trends

To mark its 125th anniversary, Certina launched a completely new corporate identity. The new logo now includes a turtle shell, which has been the brand's seal of quality for over 50 years. Moreover, a noble, fresh green is the new company color, underscoring the individuality and exclusivity of the Certina brand. Generating unanimously positive reaction from both the press and retail partners, the new brand image was presented and the company anniversary was celebrated at a special launch event at Baselworld. The new visual identity as well as product innovations in design and movement technology boosted growth, especially in the closing semester of 2013.

## Creation

### DS Eagle Chronograph – Absolutely extraordinary

The DS Eagle Chronograph is a timepiece for watch enthusiasts who love exclusive and original designs. With a diameter of 46mm, a screw-down bezel with carbon insets, red-notched push buttons and solid crown protection, the DS Eagle is a true eye-catcher. It also features a twelve-hour chronograph and second time zone (GMT) display.

### DS-2 Chronograph – Perfect accuracy by design

The new and exclusive ETA PreciDrive movement is what makes the new DS-2 Chronograph product line tick. This quartz movement offers the precision of a chronometer and a 1/100th-second chronograph. The sporty and elegant DS-2 timepiece is also







available in a COSC-certified limited edition of 1888 pieces, a reference to the year Certina was founded.

#### **DS Powermatic 80 –**

##### **Tradition and style with modern performance**

The case and dial of the DS Powermatic 80 are reminiscent of the brand's watch models from the early 1960s. This classic timepiece is equipped with a cutting-edge ETA Powermatic 80 automatic movement. This exceptionally precise mechanical watch movement has a power reserve of 80 hours. One model being produced in an edition of just 5000 pieces marks the brand's 125th Anniversary.

## **Presence**

#### **FIA WRC World Rally Championship**

In addition to the longstanding partnership with the Swiss Sauber F1 Team, Certina entered into another important collaboration in motor sports this year. Since the beginning of 2013, the sports watch brand has been Official Partner and Timekeeper for the FIA WRC World Rally Championship. The world of rallying is familiar territory for Certina, as it lent support to rally drivers Colin McRae and Petter Solberg between 2002 and 2005. The dynamic and challenging environment of rally sports is a perfect match for Certina, which enjoys a premium presence: its logo is visible everywhere, from time displays in TV broadcasts to banners along the route, as well as the start and finish areas.



#### **Baselworld – Launch of new brand image and Certina's 125th anniversary**

At Baselworld, Certina celebrated its 125th anniversary and launched its new visual identity in the company of famous faces from the world of sport and members of the international press. Among those present were Certina's long-term partner, the Sauber F1 Team, represented by driver Nico Hülkenberg and the team's marketing director, Alex Sauber. At the close of the usual Q&A session moderated by motor sport journalist Michael Stäubli, guests were personally presented with a DS Eagle Chronograph, a model that had also been launched in Basel, by Certina's President Adrian Bosshard.

#### **History roadshow in Kuala Lumpur – Malaysia**

At the beginning of July, Certina's impressive history and tradition were featured in a one-week public roadshow at the Mid Valley Mall in Kuala Lumpur. Product innovations and the new brand identity were, of course, omnipresent. On July 3, a press conference was organized, attended by a large number of media.



CERTINA: ONE OF THE FACETS OF SWATCH GROUP



**MIDO**  
SWISS WATCHES SINCE 1918

## 95 years of authenticity and timeless values

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

### Trends

In 2013, Mido achieved the best results in its 95-year history; its performance was a continuation of that in preceding years. This fine progression is the result of sustained growth in all the regions where the brand is present.

True to its philosophy, Mido continued to combine aesthetics, functionality and authenticity in the creation of its primarily mechanical watches.

Over and above fashion and trends, Mido watches excel due to their durable nature. Furthermore, the COSC certification for chronometer models remains one of the key strengths of the brand, which is committed to precision.

Mido timepieces attract an ever-increasing clientele through their timeless design and excellent value for money.

### Creation

#### Commander

The Commander watch family, Mido's flagship line since 1959, was expanded with new models targeting both women and men – creations with sober, understated lines, available in 33, 40 and 42.50-millimeter diameters. In tribute to the brand's 95th anniversary, the collection also welcomed a chronometer-certified chronograph in black with subtle red accents and issued in a 950-piece limited edition.

#### Multifort

Water-resistant to 20 bar, equipped with a rotating bezel and a strap fitted with a folding clasp featuring a diving extension, the three new Multifort Two Crowns models represent an indispensable accessory for all diving enthusiasts. Another 2013 innovation in the collection introduced in 1934 was a rubber bezel engraved with the Mido logo. Combining a variety of colors and finishes, these watches are available in 38 and 42 millimeter diameters.





**Baroncelli**

Synonymous with harmony and elegance, new models with structured dials on two levels have enriched Mido's number one family. Produced in three-hand, chronograph, small second and power reserve versions, these timepieces house a brushed sun-ray dial and delicately applied indexes.

**Great Wall**

New models fitted with black or brown leather straps in a version with a pink PVD case enhanced the all-steel collection launched in 2012. A sporty piece in Mido's black and orange colors also made its debut in the line inspired by the extraordinary Great Wall of China.

**Presence**

2013 was marked by the signing of a new partnership with the International Union of Architects (UIA). This collaboration fits perfectly into Mido's continued strategy and gives it additional credibility in the world of architecture, which is a privileged source of inspiration for the brand. Mido will be closely involved with the UIA's activities and in particular in the context of international events that bring together the main players in the field of architecture.

Continuing its steady growth, Mido opened several boutiques and a number of points of sale in 2013. By focusing on the quality of its presence, the brand is positioning itself to transfer its values to an ever larger international audience.

Mido continued its significant development in Asia, and particularly in China where it currently has more than 600 points of sale. Numerous events and activities incorporating the architectural inspirations of the brand were also organized in this country where Mido represents a must-have in its price segment. The launch of new collections also attracted considerable attention in many countries including Thailand, South Korea, Taiwan and Mexico.

Thanks to watches that are true to its brand values, a characteristic communication style based on architecture and increased visibility, Mido celebrated its 95th anniversary in 2013 while racking up another record year.



MIDO: ONE OF THE FACETS OF SWATCH GROUP



## American spirit – Swiss precision

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

### Trends

In 2013, Hamilton enjoyed strong growth worldwide. The opening of several hundred shop-in-shops underscored the brand's global success. An additional highlight was the launch of two exclusive new movements. The H-20-S made its debut in the Hamilton Jazzmaster Viewmatic Skeleton ladies' and gents' watches, with an open dial design featuring the barrel, the main bridge, the "H"-pattern on individual elements and a skeletonized rotor on the back. The separation of the three hands of the H-12 movement inside the Hamilton Jazzmaster Regulator creates new design possibilities including, in this case, the off-center positioning of the hour and seconds hands for asymmetric appeal.

### Creation

The Swiss-made American brand broke new watchmaking ground in 2013 by applying the concept of dual identity to its latest innovation, the Hamilton Jazzmaster Face 2 Face. There are two different sides to the design concept and the timepiece itself. A unique rotating case houses two dials, one presenting a sophisticated, daring chronograph; the other a subdued, elegant three-hand timekeeper. The common denominators of the two contrasting faces are the decorated, skeletonized rotors of each automatic movement, fully visible in the oval-shaped case. Each watch incorporates two wearing options that make distinct style statements. Only 888 numbered pieces of the Jazzmaster Face 2 Face were made.





## Presence

The Hamilton Behind the Camera Awards in 2013 exceeded all expectations as celebrities and film stars attended red carpet events held in Shanghai and Los Angeles. Honoring the contributions and work of their “off-screen” colleagues, stars gladly gave up the spotlight to cinematographers, prop-masters, costume designers, screenwriters and other key behind-the-scenes specialists.

The Hamilton Behind the Camera Awards in China took place in August at the Himalayas Center in Shanghai. The guest list boasted a number of well-known Chinese filmmakers eager to support the unique awards night. Members of the jury included Peter Chan, Su Tong, Tao Jing, Dai Jinhua and Vivian Wu. The presence of stars such as Deng Chao, Liu Tao and Christy Chung paid tribute to the winners.

In November the Hamilton Behind the Camera Awards were presented at the Ebell Theater in Los Angeles. Actress Elisabeth Röhm hosted the ceremony alongside highly regarded actresses, actors and filmmakers who presented the awards to Hollywood’s finest off-screen talents. Presenters included Lenny Kravitz, Amy Adams, Sandra Oh, Casey Affleck, Zoe Saldana and Jeremy Renner. The winners stole the show when honored for their work on greatly anticipated films such as *American Hustle*, *Dallas Buyers Club*, *The Butler* or *Behind the Candelabra*.

Hamilton continued to mark its presence at key international aviation events, including its fifth participation in the EAA AirVenture in Oshkosh, Wisconsin. Each year, the week-long event,

known as “The World’s Greatest Aviation Celebration”, hosts more than 500000 Experimental Aircraft Association (EAA) members and other aviation enthusiasts.

The Free Flight World Masters, also a fixed highlight in Hamilton’s calendar, took place for the third time in the South of France. Ste. Maxime Beach became the gathering spot for a record-breaking attendance of 140000 flight enthusiasts and spectators. The impressive schedule boasted flying displays by the world famous Patrouille de France, the Tiger helicopters and, of course, the Hamilton planes.





## A year of evolution

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



Additional pluses include polishable plastic glass, 100% child-oriented designs and easy-to-read dials. All of the new watches integrate the brand's tried and tested characteristics: Swiss-made, powered by Swiss quartz movements, shock-resistant and water-resistant. Those with textile straps are machine washable at a temperature of up to 40°C. Matching packaging also adds fun to function – a protective plastic box doubles as a pencil case with a colored plastic ruler.

### Trends

At the age of 26, Flik Flak has changed the material of its watches to robust, versatile, “grown-up” plastic. The debut collection came out in the second semester of 2013, with thirty models in a huge color palette that brought artistry to time telling.

### Creation

Grown-ups claim there are seven colors in the rainbow – Flik Flak has other ideas. The new collection uses inspiring, vibrant plastic to create exciting visual “theme parks” for the youngest newcomers to Swiss time-telling to explore. This new collection is the sweet shop of every child's dreams – safe in the hands of Flik and Flak who chase each other round the dial to make learning to tell the time a walk in the park. Each of these watches reveals a different story and is the key to a secret dream world for its wearer. They are robust enough to survive unplanned descents from climbing frames and bikes, as well as somersaults in the “white rapids” of the washing machine.

### Presence

The new product direction has visibly impacted the style and content of the Flik Flak brand and product communication toolkit. In the second half of 2013 campaigns focused on graphics that spoke to the hearts and imaginations of children. Beautiful printed elements from the dials and straps had lives of their own as they escaped to dance around the watches. This ignited immense creativity in the markets, leading to great events and highly original POS activity to make kids and grown-ups everywhere smile from ear to ear.

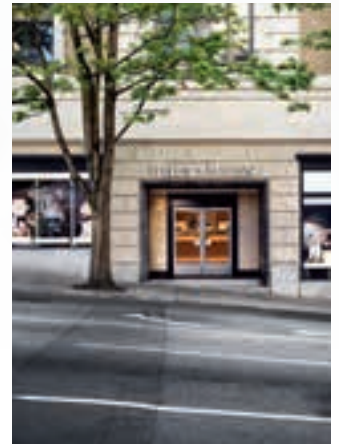


FLIK FLAK: ONE OF THE FACETS OF SWATCH GROUP



## Pushing the boundaries of a dream boutique

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



Tourbillon enjoyed an extremely successful year in 2013 with increased turnover and impressive growth. Swatch Group's network of luxury multibrand boutiques offering Breguet, Blancpain, Glashütte Original, Jaquet Droz and Omega, as well as exceptional Swatch pieces, continued its development based on a distribution strategy targeting the most discerning customers.

This was achieved through an offer of fine watchmaking promoted in an environment underscoring the characteristics of each of the brands it represents, and underpinned by comprehensive service. Extensive training of sales teams not only makes it possible to welcome and advise a selective client base by referring to the technical and aesthetic characteristics of the watch pieces but also by describing the history contained in each timepiece. Inspiring dreams and delivering service that includes meeting the clients' needs in the smallest detail, even before they have walked through the door of one of its boutiques – this is the degree of Tourbillon's commitment.

With the inauguration of new locations and the reassignment of certain POS to be devoted to one of Swatch Group's luxury or

prestige brands, Tourbillon's presence is evident with 19 boutiques on three continents. Its network has been strengthened in the USA with the opening of two new boutiques in Seattle and Dallas, the renovation of its South Coast Plaza shop, as well as through the relocation and extension of its Las Vegas boutique, which is currently the flagship store with over 400 square meters of surface area. Characterized by a high level of luxury, every Tourbillon boutique is designed as a coherent combination of shop-in-shops allowing each brand to be presented in its own environment.



Events organized in 2013 enabled all the brands and their watches to take a turn at their own moment of glory: paying tribute to women with the presentation of the Pavonina collection by Glashütte Original in Moscow and San Francisco; exclusive evenings in the USA to emphasize the finesse of painting on enamel together with Jaquet Droz; celebrating Omega's Ladymatic at an event in Puerto Banús with the theme "La Nuit Enchantée"; or emphasizing Blancpain's links with the pleasures of the table in St. Petersburg. Tourbillon also hosted a travelling Breguet exhibition in Chicago and an exhibition in collaboration with Christie's in Moscow combining the pictorial arts and fine watchmaking. Along with these were other large events, including one at the

America's Cup with Omega and another with Breguet during the International Economic Forum in St. Petersburg, as well as a series of activities involving regional charity or trade associations that are active in the exceptional places that are home to a Tourbillon boutique.



TOURBILLON: ONE OF THE FACETS OF SWATCH GROUP







## An ever faster rate of expansion

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

Hour Passion, Swatch Group's mid- and high-end multibrand store, developed its coverage considerably throughout the year. With a presence in the airport world since 2004, the concept has been successfully deployed internationally and in 2013, was introduced in city centers.

Consequently, around 50 boutiques are divided among Swiss, French, German, UK, Irish, Italian and Chinese airports, as well as in the city centers of Paris, London, Rome, Moscow, New York, Kuala Lumpur, Penang (Malaysia) and Poznań (Poland). This increased visibility enabled Hour Passion to strengthen its position as a specialist in watch and jewelry distribution for all nationalities.

Hour Passion successfully acquired its international clientele by offering a quality, innovative boutique format. Located at choice addresses, the sales spaces contribute to reinforcing the expression of the brands presented. The objective of the watchmaking concept is to share passion and emotion by capitalizing on an authentic, complete offering as well as excellent customer service.

The inauguration of the Paris boutique on Rue de Sèvres launched the city center concept. It was followed by the simultaneous opening of stores on Oxford Street in London and on the Via del Corso in Rome. The urban network was extended to prominent addresses on US soil for the first time, including boutique on 34th Street in New York and another in the heart of Las Vegas's Aria Resort and Casino.

In airports, Hour Passion maintained its leading position in watchmaking travel retail and increased its number of points of sale in international transit zones. Since July, a 70-square-meter multibrand space has welcomed passengers at Rome's Fiumicino. A ninth boutique was opened in China in Terminal 3 at Xi'an Xianyang. Hour Passion also reinforced its development potential by winning tenders for three new concept stores, including two at Madrid Barajas and a third at Dublin Airport's Terminal 1.

The store's quality, differentiated positioning enables fascinating brands to enhance the value of their offer. A vector for Swatch Group's mid- and high-end watchmaking culture, the Hour Passion model is proving to be relevant and opportune in many markets.



HOIR PASSION: ONE OF THE FACETS OF SWATCH GROUP



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)

The Swatch Art Peace Hotel reinforced its commitment to support the arts in 2013 with its exceptional artist residency program. This unique program offers artists from all over the world the opportunity to explore Chinese culture and the fascinating city of Shanghai from a very privileged perspective. To date, more than one hundred artists from nearly thirty countries have been selected to live and work in the workshops and studios on the hotel's second and third floors. Exchanges and interactions among visiting artists have been very lively this past year. There have been many inspirational events, including a collaborative effort between a sculptor and dancers and fruitful idea-sharing among Chinese and Western artists. "Open studio" events encouraged communication among artists, the management team, the local art community and the public. The diversity of disciplines and nationalities continued to grow with dancers and a first artist from Africa, and the "traces" left by artists now include paintings, sculptures, installations, photographs, video and sound clips. Swatch has been working closely with artists for more than thirty years and The Swatch Art Peace Hotel represents a further commitment to supporting the arts.

Growing steadily in terms of room occupancy, the popularity of the fourth floor suites and rooms was confirmed by the number of guests representing more than 20 different countries. The suites and rooms attracted a great deal of interest not only from the market but also from the media in China and abroad. The fourth floor saw a number of prominent guests including musicians, actors, and an Olympic champion, along with entrepreneurs and senior government officials from China and around the world.

Shook! Restaurant, The Gallery and The Terrace hosted events and conferences for leading international companies, along with events for seven different Swatch Group brands. The exhibition room on the first floor saw a number of high-profile exhibitions during the year, including that of the multimedia artist from Spain, José Carlos Casado, who designed a watch for Swatch (Swatch OFF) and presented his work in September. Jaquet Droz took advantage of the generous space to celebrate its 275th year with a lovely exhibition highlighting its most extraordinary timepieces, and both Blancpain and Omega presented intriguing themed exhibitions.

The exceptionally well restored hotel integrating different functions continued to attract interest from the press, with increasing coverage in 2013 appearing in, among others, *Condé Nast Traveler China*, *Travel+Leisure* and *ELLE Deco* as well as generating a buzz in Chinese social media.

In 2013 The Swatch Art Peace Hotel continued to develop and strengthen its presence and today enjoys growing recognition as a significant point of reference for the arts and creative enterprise in a key market for the Swatch Group.



THE SWATCH ART PEACE HOTEL:  
ONE OF THE FACETS OF SWATCH GROUP



# Cité du Temps

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



For the Cité du Temps, 2013 was a colorful mosaic of inspiring exhibitions, memorable events and horological highlights.

## Swatch Group in the spotlight

Time travel was on the watch exhibition agenda, with a variety of brands showcasing past and present achievements and future ambitions. In January Breguet turned the clocks back to 1801 in celebration of one of its most spectacular inventions, the tourbillon. Moving forward half a century, 1853 marked the foundation of Tissot and it chose the Cité du Temps for a fascinating retrospective entitled "160 Years of Tissot Moments". Blancpain brought the clocks ahead to the present day by featuring its Women collection, developed specifically for modern women and not as miniaturizations of men's watches. Propelling visitors' minds to the future was the exhibition "Planet Ocean", created by GoodPlanet Foundation and supported by Omega, comprising 70 breathtaking photographs by Yann Arthus-Bertrand and Brian Skerry. Its objective was to remind visitors of the beauty of the oceans and to address means of preserving these precious natural resources for generations to come. Swatch Group also took pride of place on the Cité du Temps event calendar. Highlights included Breguet's press conference on its classical music collaboration with the Geneva International Music Competition, plus a special Swatch Club event to celebrate the launch of the innovative new SISTEM51 collection.

## A wide world of exhibitions

Throughout the year, the Cité du Temps invited visitors and their imaginations on a world tour through a diverse program of exhibitions, embracing a whole range of artistic disciplines, artists and organizations. The destinations depicted ranged from frozen Geneva to the baking beaches of Dubai; and from calm streets to frenzied stadiums. Japanese artist Osamu Oshiba presented enchanting scenes from childhood dreams, and 34 local and international artists from different disciplines applied their talents to transforming sports footwear into wild creations in "Le Constat". The planet's diversity was brought into crystal-clear focus by "Ice Storm", comprising the photographs, compiled by Sandor Szabados, of Lake Léman's big freeze that made many international front covers, and a show of Régis Colombo's photo collages with LED lighting, giving a taste of the 40 countries he has explored. Providing a welcome halfway point between London 2012 and Sochi 2014 was an exhibition in collaboration with the Olympic Museum, bringing to life the motto "faster, higher, stronger" through medals, Olympic torches, posters and film clips.



CITÉ DU TEMPS: ONE OF THE FACETS OF SWATCH GROUP

# PRODUCTION

WATCHES, JEWELRY







## ETA Manufacture Horlogère Suisse 1, 2, 3, 4

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

2013 was an excellent year for ETA Manufacture Horlogère Suisse, both in terms of results and quantities produced, particularly as it faced the challenge of introducing SAP in the entire company. Thanks to the products developed, ETA strengthened its industrial and technological competencies, leveraging synergies with other Swatch Group companies. Investments and efforts made over the past few years in terms of organization, simplification and verticalization have resulted in an increase in industrial capacity for products of the Swatch Group brands.

The evolution of new developments in mechanical products reached an exceptional level, as demonstrated by the Swiss launch of the Swatch SISTEM51, a technological and industrial revolution whose movement is distinguished by the simplicity and number of its components. For the first time, the assembly of a mechanical caliber was completely achieved automatically. This product presented a challenge for the entire company, resulting in the development of both production capacity and employee competencies.

The design of the A16AZ2 movement for Omega by a team of engineers from ETA, Asulab, Nivarox-FAR and Omega was another success: it is resistant to magnetic fields of above 1.5 tesla (15000 gauss), a performance made possible through the use of new materials.

For the first time ever, a caliber with a flexible 2825-2 display offered more than 600 hour, minute and seconds display configurations on the same base movement.

There was also very good development in quartz movements, with a strong application of new technologies. The Tissot T-Touch Solar Lady and Gent, the first touchscreen solar watches, also enjoyed the benefit of focused development on the E81 and E84 movements. The F10.101 movement allows the Rado Esenza Ceramic Touch to be operated by a finger movement on the side of the crown-free ceramic case. The PowerDrive technologies, which enable an improvement in controlling the hand movement, and PreciDrive, which offers precision that can pass COSC certification, were used specifically for Certina's 251.264 movement to obtain a display of times to the hundredth of a second. These two technologies were incorporated into the quartz chronograph range. Products made for Swatch, notably its Scuba Libre and New Irony Chrono also met with resounding success. The development and production of new products requiring flexible, appropriate production methods, and a new assembly line for Swatch developed internally were established in Sion (VS).

A site in Grenchen (SO) is now dedicated to the production of dials, calendar discs and decoration pieces, thus making it possible to adjust the process and technologies according to the need of entry and mid-segment brands. The site has a supply system that has been entirely robotized in a clean room.

The industrial park of Swatch Group companies in Boncourt (JU) enabled the regrouping and simplification of industrial operations for the manufacture of quartz and Swatch parts. In 2013, production capacity was mainly devoted to the C10 production. For the first time, Nivarox-FAR occupied the same site due to the verticalization of a product in a shared production line. Intended for the assembly of Omega movements, the site at Villeret (BE) moved into an industrial equipment phase.



With the implementation of two new sites and the need to master newly-introduced technologies, further education programs were expanded and developed. In parallel, the number of apprenticeship places was increased with more than 200 apprentices in 2013. This number is likely to increase further with the creation of a training delivery cell for apprentices at the new site at Boncourt (JU). For the first time, job creation as well as training took place at the same site. Special efforts were made in the realm of verticalization and industrialization to meet demand in terms of products and industrial equipment for the new production sites. Continuing to consolidate its efficiencies in the context of a long term vision, ETA offers an appropriate response to the needs of the brands in Swatch Group, and further strengthens the latter's competitive edge by providing Swiss-made products.

### Fire on 29 December 2013

Following a technical defect in the electroplating workshop in ETA's building 1 in Grenchen (SO), a fire broke out on Sunday, 29 December at around 8:45 a.m. At the time of the incident, there was no activity in the workshop, which was completely destroyed. Thanks to the extremely fast, efficient reaction of ETA's internal fire brigade and Grenchen's municipal fire department, the fire was prevented from spreading into the neighboring workshops. It was under control by 9:30 a.m. and was extinguished shortly afterwards. There were no injuries.

## Meco 5

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

With its portfolio set to follow the same trajectory as in 2012, Meco strengthened its expertise in the development of innovative Swiss-made products and efficient production methods in 2013.

In order to meet the strong demand from Swatch Group brands and their exacting requirements in terms of quality, the specialist in external watch components continued to maximize its production capacity and to invest in advanced technologies. Working on several new products, Meco achieved developments jointly with diverse Swatch Group entities. Working together with Asulab in particular, the company successfully supported Omega in the development of crowns and pushers for the Speedmaster "Dark Side of the Moon", and Tissot for the conception of its revolutionary capacitive "soft click" pusher. On behalf of Glashütte Original, it formalized the application of its patent for the manufacture of a modular pusher.

These successes were also due to highly qualified staff, thanks to which Meco is determined to offer an ever more rounded, high-performance service. The new technologies being rolled out, together with developments in the automation of its production facility, demonstrate the company's desire to further strengthen its position in the crown-pusher sector, with products for the high-end, luxury and prestige segments.

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



## François Golay 6

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

For François Golay, 2013 was a year of development, in terms of IT and industrial equipment as well as in terms of logistics and human resources.

The SAP software implemented at the end of 2012 produced the expected results, allowing an improvement in company governance and productivity.

In order to meet the qualitative and quantitative needs of its principal clients – Breguet, Blancpain and the Swatch Group companies overall – the watchmaking wheel manufacturer needed to strengthen both its teams and production facility. Considerable investment enabled the modernization and renewal of certain machine pools. This allowed the acquisition and installation of several high-precision turning machines with sliding headstocks in the profile-turning department. A totally automated press was also installed in the stamping department, in support of the blanking department.

Continuing this impetus in its modernization efforts, at the end of the year the company launched a project to expand the machine pool in the cutting and burnishing departments with the acquisition of new cutting tools and rolling machines.

As it was somewhat cramped in its existing premises, particularly because of the new equipment in the profile-turning room, the mechanics sector was transferred to François Golay's new, sixth site located at Le Sentier (Vallée de Joux, VD).

While a modern, high-performance production facility is essential, the company also depended on the know-how and professionalism of the employees who demonstrated their unflinching commitment on a daily basis, and to whom François Golay owed its success in 2013.

The results of the various actions undertaken during the year, following on from those undertaken the previous year, place François Golay in a good position to take on the future.

## Nivarox-FAR 7

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

For Nivarox-FAR, 2013 was marked by high-end developments, brand-new industrialization and a range of advanced technologies.

Since its creation in its current form 30 years ago, Nivarox-FAR has never been faced by the realization of an industrial project the size of the Swatch SISTEM51. The success of this development was only possible through close collaboration with movement production company, ETA. R&D, technological, logistics and commercial collaborations were required to achieve this vast project, which ended with the installation of the Boncourt (JU) site for the first shared production with ETA. Nivarox-FAR needed to acquire new skills, including mastering clearance, lubrication and the set-up of the production of an automatically assembled escapement module.

In the Breguet, Blancpain, Glashütte Original and Omega Manufacture-made movement sector, LIGA and silicon technologies enabled the achievement of a new generation of escapements and oscillators with chronometric performance and brand new designs. Major advances both in metallurgy and in anti-magnetic movements, the results achieved by Omega's Nivagauss allowed a previously unimaginable technological breakthrough.

2013 also saw considerable investment with big developments on behalf of innovative movements. Tissot's Powermatic 80 is the first in this lineup, which incorporates a brand new way to deal with adjusting the balance-spring.

These industrial developments were made possible by unflinching cooperation between Nivarox-FAR and production companies, ETA and Comadur, with the Asulab research and development department and brands Breguet, Blancpain, Glashütte Original, Omega, Longines and Tissot. These inter-company collaborations, requested by Swatch Group management, made it possible to achieve even more ambitious objectives far more quickly than before.

In terms of infrastructure, Nivarox-FAR increased its capacity for the production of sprung balances in large series thanks to the construction of a new wing on one of its sites, but also due to the creation of a micro-assembly site devoted to silicon for Omega, as well as the total renovation and modernization of the manufacture of traditional ferronickel balance-springs in Villeret (BE). The site at Le Locle (NE) saw the enlarging of the industrial mechanics sector to house production chains devoted to the manufacture of the Powermatic 80 movement oscillator. As part of this, the realization of a technical laboratory and an administrative center in the Girardet area in Le Locle was enabled by the purchase of Comadur's building. This impetus should continue in the years to come, enabling the re-introduction of the manufacture of balance wheels and levers in Le Locle.





## Comadur 8

www.comadur.com

For Comadur, 2013 was a decisive year. Four major projects directed its activities, enabling a refocusing of the strategy of the Swatch Group's hard materials specialist.

The year was characterized by significant growth in activities linked to ceramics – a material increasingly valued by the Swatch Group brands – and to sapphire crystal. Accordingly, Comadur worked on the manufacture of many great new models, including the Omega Speedmaster "Dark Side of the Moon" and the Rado DiaMaster, the Esenza Ceramic Touch, the Hyper-Chrome Court Collection and the D-Star. Comadur's production of watch stones met the needs of the movement manufacturer ETA.

In addition, the internalization of the manufacture of raw materials (feedstock) represented an ambitious goal that was successfully reached. The Col-des-Roches (Le Locle, NE) company is now completely independent in every phase of ceramic production.

To drastically reduce lead-time and simplify logistics processes, the strategy of three sectors of activity – ceramics, sapphire crystals and watch stones – was reviewed. Verticalization by production site was undertaken, a procedure that will continue in order to meet growing client needs. New spaces were required to realize this project, and a large number of support functions were moved to the new site, thus making space available for new equipment.

Finally, in order to upgrade production and improve product quality, large investments were made in the production plant and particularly in the ceramic sector. This renewal of the machines will soon be extended to all the production lines, reducing lead time and increasing flexibility and competitiveness. These changes were complemented by increased and targeted training for employees.

## Rubattel et Weyermann 9

Faced with the continuous growth of the Swatch Group brands, Rubattel et Weyermann realized that its production site could no longer meet the increase in demand in the medium- to long-term in a suitable, industrial manner. Swatch Group management therefore instructed the dial maker to begin construction of a new building. This large scale project will allow the company to increase its production capacity and strengthen its verticalization, a strategy supported by an investment program that has been rolled out over several years.

In the realm of product developments, Rubattel et Weyermann took an active part in the birth of the Omega Speedmaster "Dark Side of the Moon", exploring new avenues with an interesting potential for development. Harry Winston's arrival at Swatch Group also resulted in a large number of projects.

In parallel, Rubattel et Weyermann continued the segmentation of its trades, notably in the realm of *guillochage* and finishing operations, with a reinforced staff complement coupled with an intensive training program. Confronted by the increasing demand, collaboration with MOM Le Prélet also proved to be a decisive factor. Rubattel et Weyermann's technical department finished its migration to new design software, thus rationalizing its exchanges with its partners during the planning process linked to product development.

## MOM Le Prélet 10

In 2013, MOM Le Prélet finished the planned production re-launch of its partner Rubattel et Weyermann, thus positioning itself as the dial maker of choice for Swatch Group high-volume brands in the luxury and high-end segments.

Following the study conducted and investment made in 2012, the highly automated inline design production got underway in 2013. Combining technology and automation, it provides MOM Le Prélet with a competitive instrument in terms of both price and production capacity. This conveyor belt manufacturing will be supplemented and strengthened in the near future with the arrival of new modules.

In addition, 2013 was synonymous with a rewarding collaboration with different Swatch Group brands, leading to a large increase in the number of dials delivered and a considerable number of projects under development. In this respect, MOM Le Prélet also continued to demonstrate its ability to manufacture dials for brands in Swatch Group's prestige segment, starting with a partnership with Harry Winston.

To enable its client brands to continue offering impeccable after-sales service, MOM Le Prélet also developed and implemented a manufacturing and repair service for old dials.


**L A S C O R**

## Universo 11, 12, 13

www.universo.ch

The European leader in the manufacture of hands and supplier of applique dials, Universo benefited directly from the success of Swatch Group brands, whose sales reached a level in excess of that recorded by the entire watch industry, and achieved an excellent year in 2013, slightly below the record reached in 2012.

### Hands Division

In 2013, the production lines for diamond hands and for steel and gold hands were used to their full potential. In the area of continuous process improvement, the central logistics project conducted during the year resulted in mastering the traceability of parts produced, from the raw material stage to delivery. Among other projects launched during the year, online order taking for several brands, with direct processing through the EDI (*Electronic Data Interchange*) network, constituted the first step toward a future generalization of this process for all Universo's Swatch Group clients.

Vast industrial investment programs launched in 2012 continued in 2013, with the arrival of a large number of high technology machines. This will soon be complete, with the final installation of production lines on the new production site.

### Appliques division

Like the Hands Division, the Appliques Division was affected by the investments, as well as by the projects in the technical logistics and quality sectors. The main aim of these efforts was to ensure that the entire production facility, the processes and organizational rules are compliant, with the view of moving Universo to its future production site.

### New production site

Universo has a confident outlook on the years to come, and is looking forward to being able to move into the new production building in La Chaux-de-Fonds (NE), whose construction began at the end of 2012. This will be operational from the third quarter in 2014 and the three current sites will then be reunited under the same roof, with a production surface area of more than 18000 square meters, spread over three floors.

## Manufacture Ruedin 14

In 2013, Manufacture Ruedin demonstrated its flexibility and responsiveness, and efficiently satisfied the high demands of the Swatch Group brands, while continuing its production unit's important modernization and rejuvenation phase.

During the past year, emphasis was placed on logistic development in the realm of stock management, with the implementation of four large storage facilities that are entirely integrated in the IT system and which enable the complete stock of components and supplies to be grouped.

The reorganization phase of the production surface areas also continued, and a second 1100 square meter surface area was rented in the industrial zone at Bassecour (JU), which now houses the hard materials department.

Collaboration in the realm of new product design with Swatch Group brands was increased. The Jura-based company notably participated in the development of the Omega Speedmaster "Dark Side of the Moon" as well as its Seamaster Aqua Terra > 15000 Gauss. Strengthening its cooperation with Longines, it also worked on The Longines Elegant Collection and the brand's Flagship models. For Rado, efforts were focused on the new version of the Integral watch and the Esenza Ceramic Touch.

In the future, Manufacture Ruedin will continue to invest in renewing its machine fleet, improving its competitive edge and thanks to a qualified, motivated staff, meeting new challenges as they occur.

## Lascor 15

In 2013, Lascor made significant changes to its production with greater focus on increased manufacturing of bi-color bracelets. Investments were related primarily to this area of activity and to the verticalization of the precious metals refining process.

Lascor continued to focus on its customer relationships throughout the year, reinforcing collaboration and the processes involved in new product development, which evolved extremely positively.

The company also improved its safety, environmental protection and quality procedures in order to remain compliant with the corresponding certifications. In addition, it perfected its procedures in terms of the safety of goods and people.

In the area of IT, Lascor updated its integrated management software system. The company also worked on the future implementation of a PLM (Product Lifecycle Management) system.

Finally, the extensive training program focusing on leadership and quality management that started in 2012 was continued successfully.





**SIMON & MEMBREZ**  
HABILLAGE HORLOGER HAUT-DE-GAMME



**SWATCH GROUP**  
THE SWATCH GROUP ASSEMBLY SA

## Simon Et Membrez 16

[www.simon-membrez.ch](http://www.simon-membrez.ch)

Acquired by Swatch Group in 2012, in 2013 Simon Et Membrez had a pivotal year in which it continued its integration into the world's largest watchmaking group. Committed to offering top-quality watch cases, it worked towards producing greater volumes for the Swatch Group brands in the luxury and prestige segments as well as consolidating the business relationships that it continues to maintain with certain historic third-party clients.

In order to do this, Simon Et Membrez is able to depend on extremely qualified staff with teams that have been strengthened. After appropriate training, these new employees have been able to enter the production units whose philosophy of quality is all-pervasive. Professional training is also part of the daily lives of all staff, whose qualifications represent a major stake given Simon Et Membrez's enormous development potential and the company's ambitious objectives.

One of these was achieved in 2013 with the start-up of bracelet and clasp production, a completely new activity for Simon Et Membrez, which swiftly internalized the new trade – from product conception in its own design office to production using a brand new fleet of machines – and delivered the first series to its prestige clients. This success heralds others and Simon Et Membrez is embracing the future with excellent prospects.

## Novi 17

After finalizing its integration into Swatch Group in 2012, Novi continued its development in 2013, recording growth in its activities in the mechanical movement assembly (T1) and watch finishing (T2) departments.

Various investments were made, including the installation of a digital storage system serving the T1 and T2 departments and connecting two production floors. This contributed to simplifying logistics flows, increased visibility over the work in progress, and improved security.

Following changes to the Novi building, a new production area devoted to the luxury and prestige segment was implemented to better meet the demand of the relevant Swatch Group brands. This freed up space in the main T2 workshop, making it possible to accommodate new employees, thus dealing with the growth of the high-end segment brands.

The common areas, polishing and mechanical workshops and the technical areas were reorganized and renovated and now provide a pleasant environment suited to the needs of the company's activities.

With its new infrastructure and increasingly high-performance production facility, and above all, thanks to its invaluable employees who are focused on developing skills, flexibility and versatility, Novi continues to pursue its aim to better satisfy its clientele with quality service.

## Swatch Group Assembly 18

In 2013, Swatch Group Assembly focused on the flexibility of the assembly available to the brands and also on the development of new lines and modular islands. The transformation of traditional lines into islands and mastering the flows resulted in an even greater increase in flexibility and in expanded production. Swatch Group Assembly thus continued the extension of its flexible cells, providing the brands with greater flexibility and increased production capacity.

With the additional surface area made available during the second semester, the company offered new options and additional services in the area of assembly, bringing a better response to rapid market changes. The training cell contributed to the development of new products and strengthened the versatility of the staff. Finally, the integration of bracelet-fitting in the form of islands in an area adjoining the assembly operations further improved flows.

Thanks to all these activities in the work place, processes, assembly instruments and human resources, Swatch Group Assembly consolidated its position as the biggest finisher in Switzerland for mid-segment products. With the aim of moving to the next level of growth and consolidation in the near future, the company continues to develop the expertise that enables it to assemble all types of watch – from quartz models to chronographs and mechanical timepieces, not to mention Tissot's touch screen T-Touch – and to offer each and every one the same throughput time, regardless of their level of complexity.



## Dress Your Body (DYB) 19, 20, 21

In 2013, Dress Your Body (DYB)'s machining and setting department stabilized its production volume, while increasing the number and complexity of developments in parts made and set. Demand for engraving and chamfering was also confirmed. Steps to optimize production continued, resulting in a rationalization of production flows, notably with regard to sequencing, manufacturing and quality follow-up. The results of these measures could be seen in an improvement in the rate of service, a reduction in non-conformities and increased efficiency in new product development. From a technical point of view, the more widespread application of automatic loading in the CNC machining centers, the transition to the operational phase of turning and the implementation of specific tools in mechanical preparation for gem-setting resulted in an improvement in productivity and the ability to offer competitive rates.

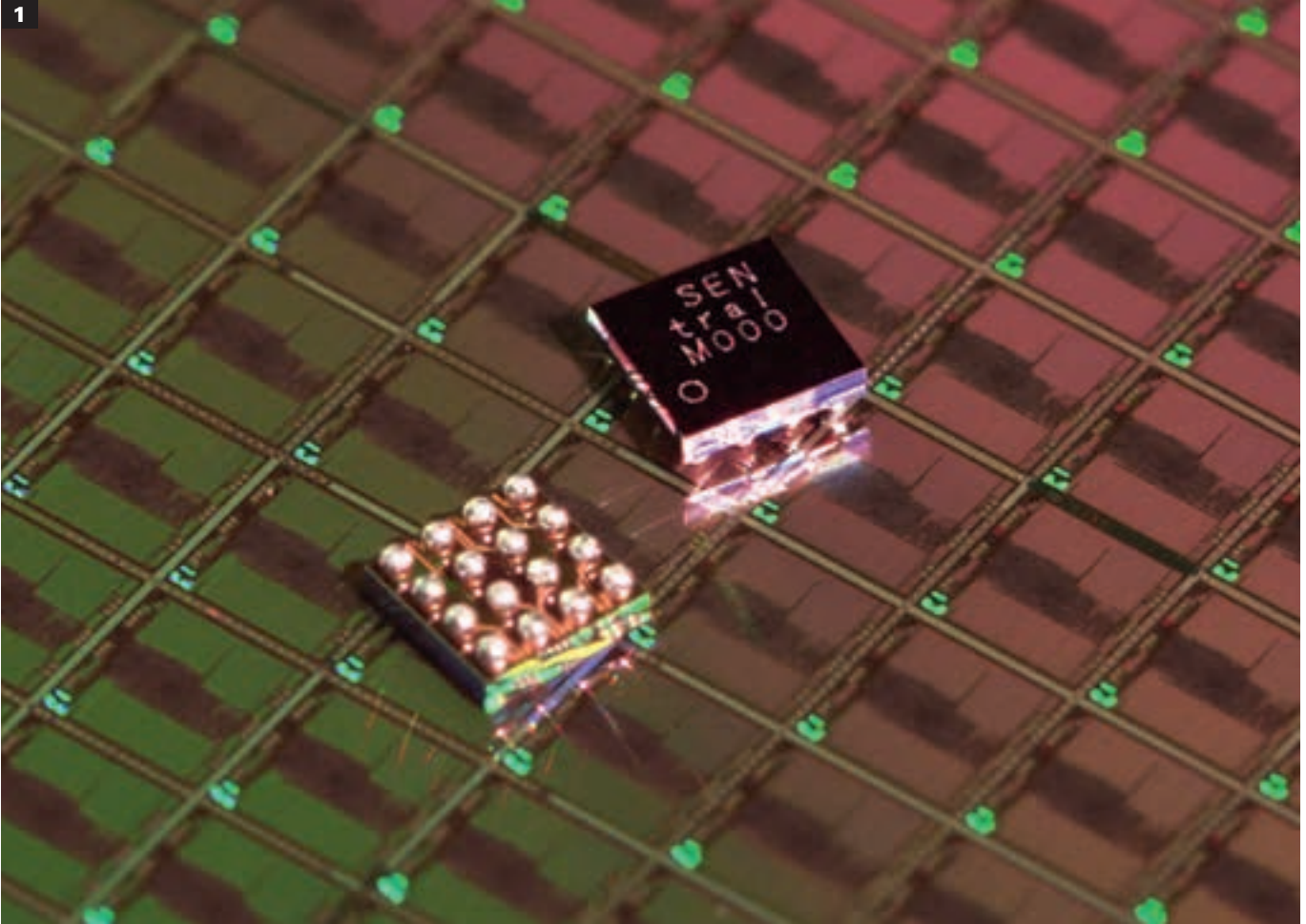
Responsible for the realization and development of jewelry creations, DYB's jewelry and high jewelry department expanded considerably in 2013, notably to absorb Breguet's growing demand for its high jewelry collection. The overriding quest for perfection that prevails when crafting such models and the desire to perpetuate a tradition that embodies both jewelry and watchmaking gave birth in 2013 to the Secret de la Reine watch. It features a case with a rotating cover, and creating it involved virtually every profession at DYB. Other new lines were also launched, such as the Rose de la Reine Solitaire and the Désir de la Reine.

DYB Gems is a buying center for diamonds and precious stones at the service of the Swatch Group brands, and in 2013 continued to offer the services of its gemology experts, as well as the supply and cutting of stones. Actively participating in its clients' product development, DYB Gems once again provided consulting services on the selection and purchase of diamonds and other gems, and supplying calibrated stones. In 2013, the general stagnation in the demand for diamonds resulted in suppliers being under heavy pressure. Taking advantage of its knowledge of this market and leveraging synergies between the complementary purchases of the Swatch Group brands, DYB Gems once again ensured a supply focused on the best possible market conditions, while maintaining strict quality standards.



# **ELECTRONIC SYSTEMS**





3

# the **swiss** power source

**0%**  
MERCURY

A stylized white wireframe hand holding a blue Renata battery pack. The battery pack contains several small batteries. The background is a solid blue color.

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

A COMPANY OF THE SWATCH GROUP





## EM Microelectronic 1

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

Over the years, the production volume of EM Microelectronic has steadily increased to reach more than 1.27 billion integrated circuits sold in 2013. Primarily serving the watchmaking industry with its circuits and displays, the company had to withstand steady price pressure on its other markets by reinforcing its sales efforts and cost optimization initiatives.

Most of the products developed in 2012 were successfully qualified in 2013 and as their production has ramped up, the company is prepared to return to a profitable growth path. With the introduction of new products, EM Microelectronic increased the share of 0.18µm wafers – its most advanced technology – to a significant percentage of total production. The productivity of the fully-loaded plant also experienced double digit growth.

Among the new products, an ultra-low power microcontroller for chronometer watch movements, the EM9554, was developed and qualified. This Swiss-made device, the heart of the PreciDrive and PowerDrive chronometer watches, is now being produced with the advanced 0.18µm Flash process.

EM Microelectronic's support to the watch business extends beyond developing and manufacturing components with mere horological functions: in collaboration with ETA and Tissot, the company's RFID team introduced UHF RFID tags into the price labels for Tissot watches. These EPC labels can be read with a contactless reader and help optimize the inventory process in product stock and retail operations.

In the Displays business segment, while developing new models and new colors for upcoming Swatch Touch collections, EM Microelectronic focused its production on new flexible plastic LCDs that were integrated into Tissot's Lady and Gent Solar, two models that were presented at Baselworld. The LCD lab is now also producing flexible displays in volumes for Swatch Group external products. A significant number of new projects are now in preparation. During the year, the LCD development team made an important R&D effort to complete its flexible display technology roadmap towards higher resolution products and more colors. The focus, however, remains on low-power technologies for watch applications.

The development team of the Wireless & Sensing business segment finalized the development of a new 2.4GHz wireless digital audio communication SoC circuit for hearing aid applications in CMOS 0.18µm. This new circuit features all the usual hearing aid audio algorithms and is capable of real-time voice streaming at a supply voltage lower than one volt. EM Microelectronic also successfully promoted its ultra-low power Bluetooth Smart controller, the EM9301, powered only by photovoltaic solar cells or low voltage, eco-friendly zinc-air batteries in an electronic beacon application used to send advertising broadcasts to passing smartphones. In combination with the EM6819 ULP 8-bit Flash microcontroller, the EM9301 sends sensor data, such as temperature, light level and beacon/location information to an application running on nearby smartphones using Bluetooth low energy technology. In collaboration with Asulab, EM Microelectronic's development teams also developed a 2.4GHz long range, ultra-high sensitivity circuit, the EM9209 aimed at gaming and other consumer electronic applications. The EM6127, the world's lowest power LCD controller, is yet another example of the fruitful collaboration with Asulab.

In the smartcard business segment, EM Microelectronic achieved significant growth in volume during a period that the overall telecom smartcard market remained almost flat. The smartcard development team also prepared new products in the high frequency RFID area to address brand protection and product identification. These products are ready for release in 2014.

The Motion & Optical Sensing segment created a new product offered with a first generation device that targets algorithm processing for multiple motion sensors (sensor fusion) in consumer applications. The "SENtral" product, developed in cooperation with a US software company, is a smart motion detection circuit that competes for a place in all major mobile phone and wearable electronics platforms. EM Microelectronic's sensor integrated circuits for environmental parameters (pressure, humidity) were adopted in high volumes in major 2013 consumer platforms, notably mobile phones. The same year also saw a significant increase in volume of sensor ICs for optical mice.

The former business unit dedicated to microcontrollers was given a new direction in 2013. It is now focusing on applying EM Microelectronic's knowhow to creating products that combine ultra-low power expertise, energy harvesting knowledge and microcontroller competencies to create "intelligent power solutions" at the silicon level.

With the considerable expertise of its interdisciplinary development teams in Marin, Prague and Colorado Springs and with its production infrastructure, EM Microelectronic once again proved its ability to support the Swatch Group brands for future new developments.



## Renata 2, 3, 4

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

By successfully focusing on its core watch battery market in 2013, Renata enhanced its position, increased its market share and further established itself as a specialist in the energy supplies of watches. New packaging for watch replacement batteries was highly appreciated by the market and contributed significantly to the company's success.

The development of new battery variations allowed Renata to supply tailor-made solutions that meet the needs of watch manufacturers and distributors without compromising flexibility and delivery performance.

New processes in production and testing methods were developed that will further improve delivery lead times to customers in the future.

A recycling concept was introduced to customers in 2013. Renata offers to take back discharged or old batteries for recycling, helping to close the entire manufacturing circle in an environmentally friendly manner.

To help meet an increasing demand from the markets in China and South America, the homepage was translated into Chinese and Spanish. In several regions of the world, new partners were added to the distribution network and logistics were optimized.

As in previous years, Renata's market presence was supported by its participation in exhibitions including the JCK Las Vegas, the Hong Kong Watch and Clock Fair and Joya in Guadalajara, Mexico.

In the industry sector, the development of Swiss-made lithium button cells signaled a very positive trend as customers expressed their desire for more high quality products manufactured in Switzerland.

The new rechargeable miniaturized lithium accumulators also demonstrated impressive initial success in a segment that promises to be more important in the future, with several new products under development.

## Micro Crystal 5, 6

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

As the only producer of quartz crystals for watches outside Asia, Micro Crystal places enormous importance on the implementation of the Swatch Group strategy of producing all watch parts internally. Its know-how in the area of parts manufacturing encourages innovative development, which would be inconceivable if parts were supplied by third parties only. In the past year, the design of a new quartz crystal, a new assembling technology and specific electronic circuits produced by EM Microelectronic enabled Micro Crystal to launch industrial production in a series of temperature-compensated watch modules. This provides new movements with far greater timekeeping accuracy than current quartz watches.

In 2013, Micro Crystal once again considerably reduced its dependency on the large mobile telephone manufacturers, who nevertheless remain its main clients. Price pressure in the consumer electronics sector and other similar segments remained strong, due to the production overcapacity of Japanese quartz manufacturers. In addition, in 2013, strong depreciation of the Japanese currency resulted in a new drop in prices. The drop in revenue was, however, partially offset by the appropriate measures that were taken.

Quartz sales continued to increase in the industrial electronic sectors and in automotive and aeronautical applications. With the demand for quartz stimulated by pacemakers, defibrillators, and increasingly, by neurostimulators, the medical area represents a market for Micro Crystal that is both considerable and stable. These medical devices require optimal quality, comprehensive understanding of the products and perfect traceability – a domain in which Micro Crystal has the benefit of longstanding experience.

Thanks to considerable investment, quartz and highly integrated electronic circuit product assembly capacity was increased. One of the latest additions to the range is a real time clock with extremely low energy consumption, capable of keeping time during short power cuts without using an additional battery.

In the future, the product range will undergo an even more marked transition from individual quartz products towards integrated quartz products, in order to reduce company dependence on consumer electronics, which are particularly exposed to strong price fluctuations.





## Oscilloquartz 7

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

As in the previous year, 2013 saw evolution and market challenges along with continued demand for more packet-based telecommunication network solutions. Oscilloquartz successfully completed a number of proofs of concept (POCs) with private operators for its Precision Time Protocol (PTP) synchronization solutions and will soon release a second generation of the plug-in PTP Grandmaster module for its flagship Synchronization Supply Unit line of products, further accentuating its leading offering of mixed SDH & IP network synchronization solutions.

The company also placed special focus on redefining its long-term strategic goals and its product roadmap. An immediate outcome was the implementation of a major program to phase out older products and a narrowing of the product portfolio to increase manufacturing efficiency and to streamline the offering. Oscilloquartz will continue its efforts to redefine and enhance its market focus on the telecom and the Time and Frequency market segments. A redesigned Oscilloquartz website was launched in June.

The year ahead will see a leaner Oscilloquartz, better equipped and more focused on the IP Sync and Time and Frequency markets. Management will continue to control expenses and effectively manage the business through this period of market transition while ensuring that key developments are supported for the future.



## Swiss Timing 8, 9

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

The year after the Olympic Games is generally devoted to various world championships and following the London 2012 edition, 2013 was no exception.

Swiss Timing was at the Downhill Skiing World Championships in Schladming (Austria) and the Artistic Gymnastic World Championships in Antwerp (Belgium) for Longines, as well as the Swimming World Championships in Barcelona (Spain) – where the discipline of high diving made an appearance – with Omega. Under the Tissot banner, Swiss Timing was present at the Junior Cadet Fencing World Championships in Porec (Croatia) and Senior Fencing in Budapest (Hungary), as well as at the Mountain Biking World Championships in Pietermaritzburg (South Africa), Track Cycling in Minsk (Belarus) and Road Biking in Florence (Italy). Swiss Timing also supported Omega in its role as sponsor of the two-man Bobsleigh World Championships in St. Moritz (GR).

Multisport games were also a source of great performance and success, as Swiss Timing's technicians were hired for Tissot for the Summer University Games in Kazan (Russia) and their winter counterpart in Trentino (Italy), at the World Games in Santiago de Cali (Colombia), the Asian Youth Games in Nanjing (China) and the Combat Games in St. Petersburg (Russia). Finally, the third World Mind Games took place in Beijing (China) with Rado.

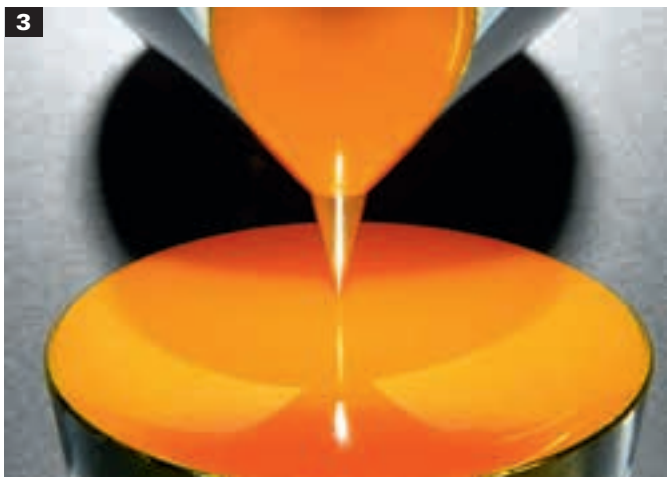
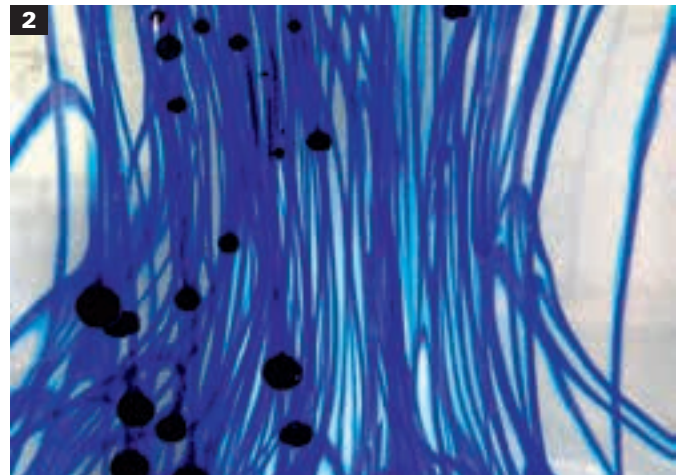
Equestrian sport represents a key discipline and the partnership signed in 2013 by Longines with the International Equestrian Federation (FEI) for the next ten years was welcome news.

In 2013, Swiss Timing also continued to exercise its role as a pioneer, implementing training and competition programs for velodromes with the new transponder technology. These were used first in Aigle (VD) and Grenchen (SO), where Tissot partnered the International Cycling Union (UCI), as well as in Saint-Quentin (France), Hamilton (New Zealand), Glasgow and Manchester (Great Britain). Several skiing innovations, including a video matrix board, were presented in Wengen (BE). In addition, a new scoring system was developed for the International Association of Amateur Boxing (AIBA).



# CORPORATE, BELENOS





7

United States Patent  
Apprentise et al.

Patent No.: US 7,971,326 B2  
Date of Patent: Jul. 5, 2011

METHOD OF SETTING SMOKE SINGLES

Applicant: Altaba, Inc.  
Inventor: Altaba, Inc.  
Attorney: Altaba, Inc.

Abstract: A method of setting smoke singles...

Claims: 1. A method of setting smoke singles...

References Cited: US 7,971,326 B2...

FIG. 1




**ASULAB**

**CDNP**

## 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 ones responsible for pilot productions and special products. Aside from these activities, the company is also involved in coordinating technological innovations for various other Swatch Group companies.

### Division Asulab 1

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 2013, it not only strengthened its technical teams, but also installed equipment enabling new applications, notably in the materials, optics and micro-system sectors.

Asulab further reinforced its contacts and undertook a number of joint projects with various Swatch Group companies and brands, so that the technical results obtained correspond as closely as possible to the needs that had been expressed. The acquisition and implementation of new competencies and technologies continued to be important objectives for Asulab, which realized them through targeted collaborations with the most renowned research institutes in Switzerland and abroad.

2013 provided an opportunity to demonstrate the specific machining possibilities of a new piece of equipment designed, developed and built at Asulab. The performance obtained met the required quality criteria and this equipment will soon be copied and implemented in a Swatch Group production facility.

Throughout the year, considerable effort was devoted to the development and validation of two new high-performance integrated electronic circuits that use very little power. EM Microelectronic will soon be able to offer them in large volumes for various applications, notably watchmaking. The main benefit of these integrated circuits is that they offer innovative solutions compared to the market place, while having the added advantage of optimized CMOS technologies made available by EM Microelectronic.

Finally, several products introduced in 2013 use technologies designed by Asulab, and developed and industrialized by sister companies. Among these is touch technology on ceramics – currently unique in the market – or the integration of display modules that emit light on demand but are invisible when inactive.

### Division Moebius 2, 3

[www.moebius-lubricants.ch](http://www.moebius-lubricants.ch)

Moebius is a company specialized in the production and commercialization of lubricants and epilames, used primarily for watchmaking applications. In 2013, Moebius continued its investment program with the objective of increasing its production capacity. Committed to a development strategy rooted in innovation, Moebius strengthened its partnerships with the Asulab division, the Swatch Group production companies such as ETA and Nivarox-FAR, and even with renowned university institutions. Its management system for production flows was also consolidated through the implementation of a custom-made integrated management software package (ERP) which meets Moebius' specific requirements.

### Division CDNP 4, 5

#### (Centre de développement des nouveaux produits)

A technical office that dresses up watch exteriors for a large number of Swatch Group brands, CDNP continued to transform numerous ideas into technical realities in 2013. CDNP is a meeting place where the dreams of the different brands materialize and which is able to depend on a solid skill set both in the realm of aesthetics, with a design team, and in the realm of micro-technical construction, with engineers, technicians and builders.

With a trained, experienced staff, CDNP's mechanical workshop is responsible for the manufacturing of serial prototypes for watch dials, cases, bezels and bracelet links as well as other jewelry. The CNC machine park connected to the CAD network enables the fast production of prototypes as well as production tools.

Rapid prototyping with a 3D printer using flexible or hard, transparent or multi-colored resin continued to develop steadily. During the past year, CDNP demonstrated its skill in the production of plastic pieces molded by vacuum casting or by laser sintering, allowing the production of diverse, aesthetically pleasing pieces.

Fulfilling the needs of all Swatch Group brands remains a daily challenge for CDNP's employees. Their experience and watchmaking knowledge enables them to successfully combine technical prowess and pleasing aesthetics, while respecting each brand's identity. CDNP's close collaboration with its production partners on the exterior parts also contributes to the realization of watchmaking masterpieces shown in shop windows all over the world.

In addition, CDNP has strengthened its specialization in the realm of packaging, managing this type of material for the brands while paying careful attention to all its ecological and economic aspects.

CDNP also continued to work on the development and supervision of a technical standard that is perfectly in line with the specifications laid down by Swatch Group Quality Management as well as with ISO and NIHS standards that ensure product quality.

Drawing on its know-how and on high-performance IT equipment, CDNP was thus able to continue to supply services to all the brands in the specialist areas of digital imaging and animation.



Consequently, CDNP's achievements in the fields of watch, jewelry, packaging and promotional material were considerable in 2013, contributing to successful sales in the markets.

## Belenos Clean Power 6

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

2013 was a tremendous year for the advancement of Belenos Clean Power's fuel cell technology. Following road tests in a prototype vehicle, it was decided to develop a hydrogen/air fuel cell for the automotive drive train and to keep the highly efficient hydrogen/oxygen technology for stationary applications. In less than half a year, the hydrogen/air fuel cell system was designed, assembled and successfully tested, mainly using automotive components and controls. Two months later, the same 10 kW fuel cell system was fully integrated into a series-produced Fiat 500 converted to electric drive. This plugin-hybrid hydrogen-battery vehicle achieved a record range of over 400km and was tested for a further 17 000km, demonstrating the fuel cell's viability. The vehicle integration and the road testing were funded in part by the Swiss Federal Office of Energy (SFOE). In addition, the fuel cell system development with the integration of a high-speed compressor was funded by the Commission for Technology and Innovation (CTI) for collaborations with the Swiss Federal Institute of Technology in Lausanne (EPFL) and the Higher School of Engineering and Business in the Canton of Vaud (HEIG-VD). The next step is to identify and bring together partners interested in commercializing the fuel cell for medium volume niche applications.

The filling station installed at the Belenos research site delivered all the hydrogen necessary for the drive tests. Further key improvements were realized on the electrolyzer stack. The device is now able to produce hydrogen and oxygen at 30 bar without any noticeable degradation.

The micro-inverter for photovoltaic modules has matured to an industrial design with a landscape layout that allows the roof mounting of the modules. Certification, pilot production and field test installations are foreseen for the first semester of 2014.

The CTI program also supported the Swiss Federal Institute of Technology Zurich (ETHZ) for an innovative approach to the synthesis of electrodes for rechargeable batteries. Under the guidance of Belenos, the project aims to optimize promising chemistries with the development of perfectly tuned nanocrystals. Results achieved in 2013 demonstrated the technology's long-term potential. Investigation of new polymer electrolytes was also supported by the SFOE with the aim of developing a solid electrolyte for the use of metallic lithium.



## ICB Ingénieurs Conseils en Brevets 7

The essential missions of ICB Ingénieurs Conseils en Brevets 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 2013, ICB continued its activities 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. The number of new patent applications filed to protect developments of the Swatch Group companies once again increased compared to previous years. This was the result of the continued awareness of all those involved in research and development of the importance of patents as part of the strategy of an innovative company, and an efficient synergy between ICB and all the engineering and research teams from the different Swatch Group companies. This collaboration was 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 through patent protection. With this in mind, the financial investments to obtain patent protection for their new products abroad continued in a targeted manner in 2013, so as to cover the main markets and production sites. In collaboration with Swatch Group's legal department, ICB continued to support the various companies and departments, to ensure that their rights were defended.

In 2013, ICB's 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, meaning that ICB's yearly financial results were positive.





## Swatch Group Quality Management (SGQM)

The mission of Swatch Group Quality Management (SGQM) is to establish the standards for quality assurance and security of products put into the market. The aim is to ensure environmental and legal conformity and reliability by making specific knowledge and competencies available to the Swatch Group companies.

### Legal conformity

In 2013, SGQM monitored the evolution of the following legislation:

**RoHS:** Six substances are currently regulated by the RoHS Directive (Restriction of Hazardous Substances). Four new substances – already abandoned and eliminated by Swatch Group companies – have been incorporated into this directive, which applies particularly to electronic products. SGQM has worked with a number of industrial associations to define solutions for the substances in question, ahead of the RoHS decision process.

**REACH:** In 2013, thirteen substances were added to the 138 already incorporated into the European ruling regarding chemical substances (Registration, Evaluation, Authorization and Restriction of Chemicals). The requirements concerning the restriction and communication of substances are strictly respected and SGQM works with the industrial branches linked to watchmaking in order to ensure that the possible use of substances meets the authorization criteria established by the authorities.

**CITES, Lacey Act, Timber Regulation:** These laws define the restrictions or controlled use of natural materials such as leather and wood. Concerned with sustainable development and ethical, responsible use of these natural resources, Swatch Group established a specific directive in this regard that was completed in 2013, following the commencement of European Regulation 995/2010 on the use of wood. A directive was also developed with regard to the exotic leather subsidiary in addition to a strict control system, thanks to the decision to use only *Mississippiensis* alligator skins sourced in the United States. Swatch Group thus has exact knowledge and traceability of the entire chain of controlled exotic leather breeders and the other stakeholders.

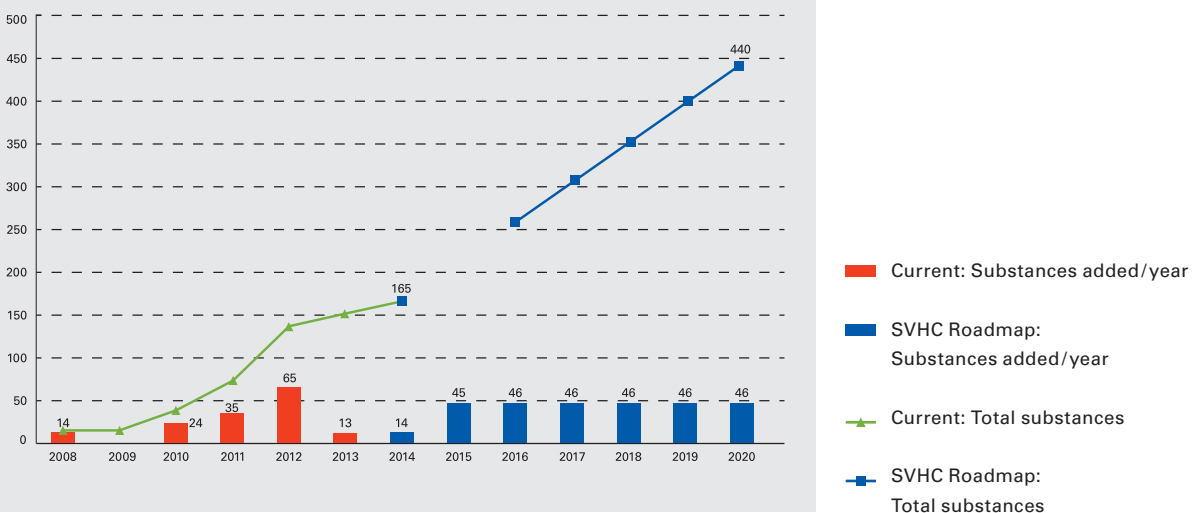
### Continuous improvement

**Resistance of materials:** In order to continually improve performance and reliability of their new products, certification methods enable the Swatch Group brands to simulate the constraints of real wear and tear. In 2013, great effort was put into research and development on and the establishment of new methods that reproduce impacts and wear and tear on surfaces.

**Standards and specifications:** As the ongoing evolution of technologies requires periodic revisions of standards and the development of new criteria suited to future industrial needs, SGQM actively participates in the work of various technical committees both in Switzerland and internationally.

On the initiative of Swatch Group and with the approval of the Board of the Federation of the Swiss Watch Industry FH and the president and secretariat of the European Committee, CEN/TC114 “Methods of analysis of allergens” was taken over by the Swiss Association for Standardization (SNV). Thus, for the first time in its history, Swiss watchmaking is driving a technical European committee under the auspices of the SNV.

Evolution of SVHC (Substances of Very High Concern) according to REACH





## Swatch Group Services

### Division European Distribution Center (EDC)

The European Distribution Center (EDC) continued to optimize its logistic processes in Europe. Through consistent benchmarking and negotiations, the integration of a new service provider arrangement, to be finalized in the first quarter of 2014, will result in a significant optimization of carriage costs. By exploiting potential synergies, the logistics flow for the new subsidiary in Turkey was integrated into the EDC structure. Following the successful transfer of the CITES shipments (watches with leather straps) into the Biel warehouse last year, the focus was on the consistent optimization of the transport process, resulting in a decrease of carriage costs per parcel. In addition, emerging legal requirements and customized solutions for various countries were implemented throughout the year as a result of a flexible and pro-active collaboration between the EDC team and the Swatch Group's brands and distribution companies.

### Division Swatch Group Logistics (SGL)

In 2013, the Swatch Group Logistics (SGL) division partnered the Swatch Group entities in their logistics initiatives and performances. Its activities were focused on planning and replenishment system calculation, warehousing flows and process optimization and on logistics controlling. Having produced a *Logistics Handbook*, the SGL division developed a harmonization process for logistics, also seeking to define and implement best practices in Swatch Group companies.

New warehouses were created and logistics operations were optimized in existing infrastructures belonging to Swatch Group subsidiaries. Omega, Longines, Tissot, Certina and Mido are initiating a new planning system, and schemes for replenishment are currently being deployed to a dozen subsidiaries. In some Swatch Group production companies, a controlling system using a KPI (Key Performance Indicators) interface was implemented for their operations at the service of the brands. Analysis reports were developed for subsidiaries, and operations to synchronize order portfolios were initiated. Finally, LIROS (Logistics, Information and Replenishment Ordering System) and WLI (Weekly Logistics Information) were optimized.

### Division Swatch Group IT Services 8, 9

Swatch Group IT Services continued the implementation of new systems. The first months of the year saw various systems go live, including new IT platforms for ETA, Swatch Group Turkey, Swatch Group Taiwan and Swatch Group Caribbean. In May, Blancpain implemented a new IT system that brought production and distribution together. The replacement of the IT systems at Swatch Group China and Swatch Group Japan was begun; other projects included the new enterprise resource planning (ERP) systems at Glashütte Original and Swatch Group Brazil. A new financial reporting system was also activated, further improving speed and flexibility of corporate financial consolidation systems. At the same time, several Swatch Group brands and subsidiaries, including Tissot in Germany, United Kingdom and France, and Hamilton in the United States saw their new e-commerce systems go live. On the technology side, various IT security systems were implemented in the course of the year, together with a brand new backup data center in Switzerland. The IT infrastructure team participated in the implementation of new network and communication systems in various companies including Breguet, Blancpain, Longines, ETA's new dial factory and premises in Villeret (BE), Sion (VS) and Boncourt (JU) and at Lascor in Italy.

### Division Swatch Group

#### Corporate Customer Service (CCS) 10, 11

**Swatch Group Subsidiaries:** The continuous development of the markets requires constant evolution of the after-sales service centers and reception areas. From design to inauguration, the Swatch Group Corporate Customer Service (CCS) division brings its expertise and supports local players in achieving their projects. A service center was created in Istanbul. The service centers in Hong Kong and Singapore moved into new premises according to a new concept, while those in Seoul and Toronto were expanded and reconfigured. The clientele is welcomed here in reception areas designed to stimulate interaction with the client.

**Schools and training programs:** In Shanghai, the first class of ten students followed the new one-year course designed to train technicians. This pilot class necessitated the expansion of the Nicolas G. Hayek School, as two classes of 20 students are also enrolled there in a two-year watchmaking program. The Hong Kong school welcomed its first students at the beginning of 2013. Swatch Group-certified six-week training programs were also developed, enabling company employees to perfect their skills in polishing, diagnostics and quality control. Finally, courses were organized in collaboration with Omega for boutique technicians.

**Selective Spare Parts Distribution:** The program for Selective Spare Parts Distribution (SSPD), which aims to improve the quality of the network of services to the clientele, was deployed to all Swatch Group brands in European key markets.

**IT systems:** Direct contact with the end consumer is a central point on which the Swatch Group IT Services and Swatch Group Corporate Customer Service divisions work together in perfect harmony. The most recent developments concerned the integration between the IT systems and processes linked to customer relations. To enhance communication with the clientele, new functionalities in the software used for the management of customer services (aCSis) had to be created, interfacing with the





web-based communication tool (CIS). Part of a drive to be much closer to the clientele, this new version of the IT system brings better follow-up of ongoing services and greater integration of the distribution network with the CCS division.

#### **Division Real Estate Development 12, 13, 14**

The Real Estate Development division was characterized by continued activity both in Switzerland and abroad with subsidiary companies.

The process of modernizing the real estate portfolio and improving the infrastructure continued, notably at Longines in Saint-Imier (BE) with the construction of a logistics building, Rado in Lengnau (BE), Tissot in Le Locle (NE), Nivarox-FAR in Fontaines (NE) and The Swatch Group Lab in Zurich, as well as in Biel at Hamilton, Calvin Klein watches + jewelry, Swatch Group and Swatch Group Services with the complete renovation of the administrative building and the inclusion of a canteen. This work was part of a policy aimed at improving workplace safety and supporting such values as the consolidation of the sustainability of the production facilities. It stemmed as well from the desire to optimize and vertically integrate production flows to improve infrastructures for increased product quality. It also reduced the use of fossil fuels and electricity.

A number of large-scale projects continued, including one for ETA and Nivarox-FAR in Boncourt (JU), an industrial park housing Swatch Group's first photovoltaic center, the first 25 000 square meters of which went into production at the beginning of 2013. At Universo and Rubattel et Weyerhann in la Chaux-de-Fonds (NE) the implementation of a 49 000-square-meter space began, which will gradually come into production. Preparations also began on construction work for the new Omega and Swatch buildings in Biel that will, in time, provide 50 000 square meters of surface area.

The construction of 96 apartments in Bern-Brünnen on behalf of the Swatch Group Pension Fund was finalized, with keys handed to tenants in October 2013.

Outside Switzerland, the division worked closely on the creation of Swatch Group Turkey in Istanbul. It also carried out consulting activities, feasibility studies and design development with Swatch Group's different subsidiaries and brands, coordinating the participation of the latter at Baselworld with the creation of new stands amounting to a total of nearly 10 000 square meters of exhibition and sales space.

Finally, division specialists actively contributed to developing or renewing the vast boutique network for Swatch Group's most prestigious brands, including Breguet, Harry Winston, Omega, Tourbillon and Hour Passion in particular.

### **Swatch Group Immeubles**

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

In 2013, Swatch Group Immeubles was characterized by intense activity in the management of a large rental base consisting of more than 5100 rental or farming properties, mainly in the cantons of Berne, Jura, Neuchatel, Solothurn and Vaud. The implementation of a new IT system offers excellent support to management activities and is proving to be an indispensable instrument in meeting the growing demands of clients.

The company manages the real estate that is part of the Swatch Group Pension Fund and Fondation d'Ebauches SA, as well as other employer pension funds and several affiliated companies. During the year, its real estate management focused on close monitoring of renovation and sanitization work, as well as brokerage agreements that Swatch Group Immeubles successfully managed on its clients' behalf. The company intends to continue advising its clients on real estate matters and on follow-up in the implementation of real estate operations.



# SWATCH GROUP **IN THE WORLD**





## Swiss Market 1, 2, 3

In the Swiss market, Swatch Group's multi-brand distribution increased in 2013 through the Tourbillon boutiques, the Hour Passion boutique at Geneva Airport and the spaces operated in partnership with Manor. The brands were also very active throughout the year.

At the Cité du Temps in Geneva, Breguet launched a traveling exhibition devoted to its inventions that had completed a world tour prior to being displayed at its boutique in Zurich. The brand organized an event at the Tourbillon boutique in Lausanne to present its achievements in the realm of high frequency, magnetism and new materials, and simultaneously supporting the launch of the Classique Chronométrie 7727. Finally, the Breguet Type XXII chronograph in rose gold was named "Watch of the Year" by *Montres Passion* magazine. Blancpain again achieved a record year and as a pioneer of mechanical watches for women, paid tribute to its Women collection with an exhibition at the Cité du Temps dedicated to its ladies' models. Glashütte Original and Jaquet Droz inaugurated a joint boutique on the prestigious Rue du Rhône in Geneva. Jaquet Droz also had a record year and continued to organize workshops on the theme of artistic crafts. Omega held exhibitions on its Co-Axial universe. Working together with GoodPlanet Foundation, the brand exhibited photographs by filmmaker and ecologist, Yann Arthus-Bertrand, who attended the screening of the film *Planet Ocean* at the Cité du Temps. In its role as title sponsor of the European Masters in Crans-Montana, the brand organized golf tournaments for its retailers and acted as official timer of the Weltklasse in Zurich and Athletissima in Lausanne, both Diamond League athletics events.

As partner to the CSIO in St-Gallen, Longines was also present in Lausanne for a leg of the Global Champions Tour, as well as during the World Cup downhill skiing trials in Wengen (BE) and Adelboden (BE) and during the finals in Lenzerheide (GR). Emphasizing its commitment to tennis, Rado launched its HyperChrome Court Collection. In its capacity as partner to Design Preis Schweiz, the brand developed its links with the world of design and awarded the Rado Star Prize Switzerland to photographer Olivier Christinat.

Continuing its growth and further improving its image, Tissot strengthened its presence in strategic locations and organized events that underscored its partnerships with the Swiss ice hockey team and with its motorcycle racing ambassador, Thomas Lüthi. Balmain took part in the Lange Nacht der Mode in Zurich attended by its ambassador Christa Rigozzi, whose special Madrigal SL watch was successfully launched. The brand supported La Lampe Magique, a foundation sponsored by the former Miss Switzerland, which makes dreams come true for sick or disadvantaged children. Also continuing its growth, particularly in tourist areas, Certina launched its new DS Eagle chronographs at Baselworld, attended by Formula 1 champion, Nico Hülkenberg from the Sauber F1 Team. Mido also registered a record year once again, intensifying its distribution and communication. Hamilton strengthened its links with the world of aviation by becoming partner to the Swiss Aerobatics Championships. Calvin Klein watches + jewelry achieved excellent results, both in watches and jewelry, thanks to quality distribution and solid partnerships.

Swatch partnered Rocket Air, a leg of the Freeride VTT World-tour. During the summer, the Scuba Libre campaign saw divers and mermaids invading Bern, Geneva, Lucerne and Zurich. In 2013, Swatch celebrated its 30th birthday and Swiss comedian, Emil Steinberger's 80th. The brand paid tribute to him with the Gent Caporal Schnyder, a limited edition of 880 pieces only available in Switzerland. Finally, a pop-up store in Zurich provided an

opportunity to celebrate the SISTEM51. Flik Flak continued to teach children to tell the time in a fun way and launched the Sunny Hours collection successfully, accompanied by a coloring book.

## Swatch Group Germany 4, 5, 6, 7

Swatch Group Germany enjoyed good results, reinforcing its selective distribution and enhancing the brands' retail expertise with the implementation of shop-in-shop programs.

Breguet presented high-end watches and jewelry at an exclusive exhibition at the Tourbillon boutique in Baden-Baden. For the first time Blancpain won the Hans Hass Fifty Fathoms Award and benefited from great visibility at the ADAC GT Masters, the Blancpain Endurance Series and the Blancpain Lamborghini Super Trofeo. Glashütte Original celebrated the launch of its Pavinina collection for ladies with glamorous events in Berlin, Düsseldorf, Munich and Dresden, while Jaquet Droz's renown continued to spread.

Omega opened its first boutique in Frankfurt, hosted Michael Phelps at the Co-Axial Exhibition at KaDeWe and presented the Seamaster Aqua Terra > 15000 Gauss at a press conference. Longines focused on show jumping competitions in Wiesbaden, Hamburg and Stuttgart, on the Grand Prix Longines de Baden and on the downhill skiing World Cup trials. Rado strengthened its presence with campaigns focusing on the tennis Porsche Grand Prix. Union Glashütte presented its innovations at an open day event and reaffirmed its presence at the Sachsen Classic old-timer car rally.

At a press conference attended by Grand Prix motorcycle racer Stefan Bradl and during the MotoGP race at Sachsenring, Tissot made waves in its anniversary year. Certina presented its DS-2 chronograph accompanied by Sauber F1 Team driver, Nico Hülkenberg and took part in the WRC rally near Trier. Mido further improved its visibility in points of sale and the media. Hamilton once again partnered the Tannkosh fly-in, the largest meeting of its kind in Europe. Calvin Klein watches + jewelry successfully staged exhibitions in points of sale and strengthened its visibility thanks to an effective advertising campaign. Swatch spread the beach feeling spirit of the Scuba Libre launch to German cities and opened a new boutique in Wiesbaden. Flik Flak celebrated the launch of its plastic collection at an event organized at the Kinderkunsthaut in Munich.

## Swatch Group Austria 8, 9, 10

In 2013, Swatch Group Austria focused on the extension and improvement of its boutiques, thus even better communicating the brand's strengths, benefitting the entire operation. Breguet presented its innovation at top notch events organized in its boutiques in Vienna. Glashütte Original maintained its large market share and considerably increased its representation. Omega selected Austria for its international Ladymatic event featuring Nicole Kidman.

Valued by a local and international clientele, the Omega boutique enjoyed highly positive development. For Longines, 2013 unfolded under the banner of the Kitzbühel descent, the Schladming Ski World Championships and the Vienna Masters horse race, and added market share. Partnering the Vienna Design Week, Rado nominated the winner of the Rado Star Prize 2013 and was once again official timekeeper at the Erste Bank Open 2013 tennis tournament.

Targeting the expansion of its distribution network and the organization of activities with its partners, Union Glashütte recorded impressive double digit growth. In a difficult economic environment, Tissot gained market share through ongoing marketing. Certina achieved double digit growth, benefiting from activities linked to its 125th anniversary and strengthening its market position. Calvin Klein watches + jewelry presented its innovations at the beginning of the year and once again partnered the Elite Model Contest. Continuing its retail expansion successfully, Swatch partnered the Freeride World Tour in Fieberbrunn and organized the Swatch Club's International Events. Flik Flak focused its advertising and promotional activities on the start of the new school year.

## Swatch Group Belgium 11, 12

Despite a difficult economic year, all of Swatch Group Belgium's brands recorded excellent performances, with the luxury and prestige sectors actually breaking records.

Breguet successfully organized three Belgian-Luxemburg days at the château of the Prince of Ligne in Beloeil, one of Belgium's most beautiful historic estates. Blancpain enjoyed a record fiscal year and once again made the Spa-Francorchamps Blancpain Endurance Series the event of the year. Omega opened a shop-in-the-shop at the Galerie du Roi in Brussels and was Official Timekeeper of the Van Damme Memorial attended by the three Borlée brothers.

Longines was the official timer of showjumping at Lummen and Mechelen events, as well as the Gymnastics World Championship in Antwerp, where its shop-in-the-shop opening was attended by its President, Walter von Känel. Rado confirmed its pioneering position with the launch of the HyperChrome Collection.

Tissot enjoyed a record fiscal year and opened a shop-in-shop at Charleroi Airport. When she was named Miss Belgium 2013, Noémie Happart became the new Balmain ambassador. Certina's 125th anniversary celebration was attended by its president, Adrian Bosshard. Hamilton enjoyed strong growth and strengthened the quality of its distribution. Calvin Klein watches + jewelry also focused on its distribution with new presentation cases and visuals. Swatch launched its Scuba Libre in the deepest pool in the world, the Nemo 33 in Brussels. With its unique ways of teaching kids how to tell time, Flik Flak remained the watch of choice for children.

## Swatch Group Netherlands 13, 14, 15

In the Netherlands, Omega highlighted its Speedmaster collection at Space Expo in Noordwijk with NASA Project Manager James Ragan. Longines and Rado strengthened their qualitative positions by opening new shop-in-shops in the luxurious department stores Bijenkorf Amsterdam and The Hague. Tissot celebrated its 160th anniversary with a dealer event and a roadshow in the department store Bijenkorf The Hague. Miss Belgium 2013 became the new ambassador for Balmain in the Netherlands. Certina introduced its new corporate identity and started restructuring its distribution. Hamilton continued to expand market share and focused on opening new doors. Calvin Klein watches + jewelry concentrated on its distribution network, giving the brand extra qualitative visibility. In summer, the underwater feeling of the Swatch Scuba Libre campaign touched all travelers at Schiphol Airport; a life-size submarine was a memorable highlight.

## Swatch Group Luxembourg

During 2013, 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 still challenging and volatile financial market environment; a certain stabilization around some currencies could even be observed. Located in the financial heart of Europe, Swatch Group Luxembourg benefits from the vast range of services provided by an internationally recognized and efficient banking and insurance system.







## Swatch Group France 16, 17, 18

Despite a difficult economic and political environment, Swatch Group France successfully worked to gain market share in all segments, notably by investing in the strategic role of its brand ambassadors to promote their image and stimulate sales. Consequently, Omega, Longines, Hamilton and Swatch organized memorable, emotion-filled signing sessions.

Omega confirmed its commitment to the preservation of the environment and the oceans by enabling its clients to meet and talk to its friend and partner, Yann Arthus-Bertrand. Friendly, passionate and delighted to share his battle, the renowned producer and ecologist was delighted to sign autographs for some 200 other guests at the Omega Boutique on the Champs-Élysées.

In another vein, a wonderful match took place with Longines at Hour Passion in June, in the heart of the French Open, one of the world's biggest tennis events. Andre Agassi met with his fans in his typical openhearted, stylish and elegant manner, treating them to a unique moment. Hundreds of people flocked to the boutique, delighted to have him signing balls, rackets and other souvenirs destined to become collectors' items.

On the tarmac at Valence Aerodrome, aerobatic pilot and Hamilton ambassador, Nicolas Ivanoff was hailed as a true star: the signing session had to be interrupted for the aerobatics show to take place, even before most of his admirers had a chance to obtain the champion's autograph.

But this craze was nothing in comparison to the success enjoyed by Mika at the Swatch megastore on the Champs-Élysées in November. While winter was taking hold with a vengeance, fans didn't hesitate to wait outside for nearly ten hours to approach the uncontested leader of dance floors all over the world. A few very lucky individuals were able to fulfill their dream in a festive atmosphere decorated in the colors of the Swatch watch dedicated to the artist.

These events and a great number of others that marked 2013 enabled Swatch Group to strengthen its presence in the French market and to capitalize on the loyalty of the emblematic ambassadors it thanks most sincerely.

## Swatch Group Spain 19, 20

Swatch Group Spain continued to focus on minimizing the impact of Spain's complex economic situation. The main topic for Breguet was its collaboration with the Royal Theatre. Blancpain communicated its agreement with the National Geographic Society. Glashütte Original introduced Pavonina collection during the Berlinale Film Festival with great success. The development of the Planet Ocean exhibition at the Maritime Museum of Barcelona demonstrated Omega's commitment to environmental issues. The involvement of Longines in equestrian activities was reinforced in the Spanish market with very special events in Gijón, Barcelona and Madrid. Rado had the opportunity to emphasize the importance of its HyperChrome Collection at tennis tournaments and through its relationship with brand ambassador Andy Murray. Tissot will be the timekeeper at the 2014 FIBA Basketball World Cup and placed a Countdown Watch at Madrid's Puerta del Sol. Certina celebrated its 125 years in a very special place: a bank vault. Hamilton organized an event for journalists in Granada with Aspa Patrol. Calvin Klein watches + jewelry made a huge impact with its Impulsive line during a meeting with bloggers at its first pop-up store. For the launch of the Scuba Libre, Swatch organized a surprising activity at a swimming pool located on the roof of a private club in the center of Madrid; it also supported arts with artist Juan Carlos Casado's exhibition in Madrid. Flik Flak launched a new collection of watches featuring plastic cases.

## Swatch Group Italy 21, 22, 23

In a turbulent economic climate, brands consolidated and improved their positions in all segments. The subsidiary, while maintaining a strong focus on the quality of the wholesale network, continued to develop its retail operations with the opening of, among others, a new Omega boutique in Florence, four new Swatch stores and the first Hour Passion boutique in downtown Rome. The first anniversary of the Breguet boutique in Milan was celebrated at a prestigious event announcing a partnership with the Bagatti Valsecchi Museum. During the Salone del mobile, Blancpain and Pisa Orologeria presented the "carrousel easy-chair" inspired by the movement. Jaquet Droz organized a memorable event inside Torino Egyptian Museum. Top Italian windows were dressed in violet for Glashütte Original's Pavonina collection launch. Omega's exceptional year was highlighted by the launch of the Planet Ocean GoodPlanet in Venice. Rado invested in strengthening its relationship with dealers. Milan warmly welcomed tennis legend and Longines ambassador Andre Agassi for a full day of outstanding events. Tissot celebrated its 160 years with an exclusive event in Milan. Hamilton partnered with Nistri d'Argento with the Hamilton Behind the Camera Awards. The rebranding strategy of Calvin Klein watches + jewelry involved the whole visual identity of the brand and enhanced positioning and awareness. 2013 was a great year for Swatch, concluding with a major event featuring pop star Mika's signature session in Milan. Adventures for kids highlighted a Flik Flak event at Museo della Scienza e della Tecnica in Milan.

## Swatch Group United Kingdom 24, 25, 26

Swatch Group United Kingdom continued to expand its retail presence. A second Hour Passion downtown boutique was inaugurated on Oxford Street welcoming Union Glashütte, Balmain and Mido to the UK. The boutique opened to positive sales and has continued to trade well. With the focus on improving the retail network, the London Breguet boutique closed for refurbishment and expansion. It will reopen with three floors of luxury retail space. Following Baselworld, Breguet and Blancpain hosted events to showcase their new products for VIP clients and press. Jaquet Droz looked to secure new retail partners when it presented at Salon QP – the Premier Fine Watch Exhibition. Omega Brand Ambassador Jessica Ennis hosted the annual summer party at the brand's vintage boutique in London. To celebrate its *Planet Ocean* film, Omega hosted a special evening and screening for guests. Longines enhanced its presence at Royal Ascot by becoming the Official Partner and Watch of Ascot. Longines Ambassador of Elegance Aishwarya Rai Bachchan dined with VIP guests on board the Orient-Express. The partnership between tennis star Andy Murray and Rado reached an all-time high when he won Wimbledon. The UK media was awash with images of Murray wearing his HyperChrome Court Green watch. Tissot celebrated its 160th anniversary with an exclusive event in London and also became the Official Timekeeper of the RBS Six Nations. Certina became the new official partner and timekeeper for the FIA World Rally Championship and organized a press and retailer trip to the event in Wales. Hamilton continued to increase its brand presence investing in its largest ever UK media campaign to communicate its aviation heritage. Swatch wrapped an entire London Underground Tube in the Scuba Libre campaign to create an exciting one-of-a-kind marketing campaign. Successful "pop up" retail locations for the brand included Oxford Street and Brompton Road London. Flik Flak activated e-commerce selling via the Swatch website.

## Swatch Group Ireland 27

Swatch Group Ireland increased market share, investing in an impressive campaign for Calvin Klein watches + jewelry, Longines, Rado and Swatch. In cooperation with Hour Passion, ads were situated in high visibility areas to drive sales and foot traffic at the Dublin Airport boutique. To increase brand awareness, Longines, Calvin Klein watches + jewelry and Swatch showcased their collections in the space in front of the Hour Passion boutique. Longines celebrated its association with equestrian sports; Calvin Klein watches + jewelry presented its dress collection; and Swatch launched the New Irony Chrono. The multi-brand concession in Arnotts department store enjoyed strong sales and Certina hosted an in-store event to promote its partnership with the Sauber F1 Team. Swatch surprised shoppers by installing fish tanks in the windows to promote the new Scuba Libre collection. It closed 2013 with a refurbishment of its Grafton Street store.

## Swatch Group Nordic

### Denmark 28

In a more fragmented market Swatch Group brands in Denmark achieved excellent results. Omega was the first Swiss brand to take part in the Copenhagen Fashion Week, held at the iconic and exclusive Hotel Nimb. Its Ladymatic theme was perfectly matched to the worlds of fashion and exclusivity. Longines and Tissot activated international sponsorships in equestrian sports, ice hockey and bicycling with popular local events, while Rado introduced its HyperChrome Court Collection. Tissot, Certina and Swatch celebrated anniversaries, generating excellent PR and sales. All brands, including Certina and Calvin Klein watches + jewelry, opened new shop-in-shops at key locations. After-sales service improved due to selective spare parts distribution and internet-based solutions for the retailers.

### Finland 29

All of the Swatch Group brands in Finland continued to upgrade the quality of their distribution. This operation had a positive influence on brand image and in sales. The look of the Swatch Group booths at Baselworld was very impressive and well accepted by Finnish retailers, and the new products introduced there sold well. Despite a challenging economic climate and in an overall market that has remained constant, the demand for Swatch Group brands in Finland strongly increased in 2013.

### Norway

In Norway, Omega had a high profile as Diamond League timekeeper in Oslo. Longines' Conquest classic was well received in the market and its FEI World Cup retailer event in Oslo featured brand ambassador Aksel Lund Svindal. Rado benefited strongly from its great new models. Tissot's T-Complication Squelette was one of the highlights of a well-accepted collection in its 160th anniversary year. Several events highlighted Certina's new corporate identity and celebrated its 125th anniversary.

### Sweden 30, 31

Omega remained one of the strongest prestige watch brands in Sweden and gained market share with strong marketing and PR activities. Longines continued to grow and renewed its sponsorship of the Falsterbo Horse Show. Rado successfully launched the new HyperChrome Court Collection supported by a high-quality print campaign. Tissot was both Official Timekeeper and Watch of the Ice Hockey World Championships. Two roadshows and billboard exposure encouraged already solid brand positioning. Certina remained one of the strongest brands in the mid-price segment. The commitment to motor sports continued with a collaboration with WRC. Calvin Klein watches + jewelry had good results working with the best POS and a strong collection with great sell out. *Café* magazine named Swatch "Watch Brand of the Year".





## Swatch Group Greece 32

In a shaky economy, Swatch Group Greece attained a significant overall sales improvement by adjusting its sales strategy and priorities to focus on domestic travel retail, big city department stores and existing monobrand stores. Most brands maintained strong market positions. The Omega boutique in Athens had outstanding sales; brand image was enhanced by a high profile *Planet Ocean* film event. Longines emphasized the restructuring of its POS distribution network and upgraded its brand image, resulting in solid growth. Rado successfully launched its HyperChrome Collection and Hamilton promoted its enduring relationship with cinema through the release of the *A Good Day to Die Hard* film. Both brands inaugurated a new shop-in-shop in the Larnaca, Cyprus Airport. Tissot celebrated its 160th anniversary with a series of events under the auspices of the Swiss Embassy and achieved positive performance, especially in tourist areas. Calvin Klein watches + jewelry increased market share in a competitive environment through an innovative communication plan and several trade partnerships. Swatch's 30th anniversary was strongly communicated through the renovation of its flagship store in Athens, an improved media strategy and a healthy national distribution performance.

## Swatch Group Turkey 33

2013 was the starting point for Swatch Group Turkey in a promising, fast growing economy. The initial objectives were:

- the takeover of major brands from different independent distributors;
- building up a structure for distribution;
- the implementation of marketing strategies in line with the global objectives of the different brands;
- streamlining a qualitative network of retailers;
- setting up the best customer service in the market.

A monobrand Omega Boutique with an adjacent service center serves the demanding customers in one of Istanbul's premium shopping areas. Longines will be integrated as of January 2014 and plans are in place to tap Tissot's enormous potential in the market. The distribution of Swatch Group's luxury brands will be reviewed and adjusted during 2014. Swatch is well represented in the Turkish market with 70 franchise stores strategically located on important retail streets and in major shopping malls.

## Swatch Group Poland 34, 35

Swatch Group Poland endeavored to improve the quality of selective distribution, aimed at reinforcing Swatch Group's leadership in the Polish market. The main emphasis was placed on the development of cooperation with the key trade partners and on initiating the independent Swatch Group corporate retail Hour Passion boutique chain, with the first very successful opening at the end of December in Poznań City Center. Thanks to a new concept and the philosophy of representing the unique identity of each Swatch Group brand, the store is sure to attract enthusiastic *aficionados* of the Swiss art of watchmaking.

The brands were pursued their communication strengths actively all year long. Diverse types of media were targeted with advertisements and broad public relations initiatives were activated. International sports events held in Poland – the Fédération Equestre Internationale Nation Cup in Sopot and Archery World Cup Stage 4 in Wrocław – were hosted by their official partner, Longines. Tissot celebrated its 160th anniversary by organizing a glamorous gala evening at the National Museum in Warsaw, which was attended by representatives of the most prestigious media as well as by Polish show business celebrities. They were greeted by Tissot's President, François Thiébaud. Certina celebrated its 125th anniversary by inviting prominent journalists to a press conference in Warsaw where they saw the brand's new corporate identity and took part in exciting kart racing.

## Swatch Group Russia 36, 37, 38, 39

Since its foundation, Swatch Group Russia's year-end figures have shown double-digit sales growth each year. In 2013, the brands did equally well as a result not only of the retail chain stimulation policy but also the positive effect of major international events. Among them were the 27th Universiade in Kazan where Tissot was timekeeper, the Kremlin Cup, which featured an exhibition of watches made by Rado, its chief timekeeper, and, of course, the preparations for the Sochi 2014 Olympic Winter Games with Omega, which will be serving as Official Olympic Timekeeper for the 26th time.

In 2013, a year ahead of the Opening Ceremony in Sochi, Omega Countdown Clocks were set off simultaneously in eight Russian cities. Celebratory events were held in Moscow, Sochi, Yekaterinburg, Novosibirsk and Rostov-on-Don. Other important events included the launch of the Seamaster Planet Ocean "Sochi 2014" and the Sochi Petrograd Limited Edition watches.

Brands that are traditionally strong in Russia showed the most significant growth. Breguet held a pre-sale exhibition for Christie's auction house in the Tourbillon boutique and sponsored a concert to benefit the Artist Charitable Foundation as well as the first performance of *Hamlet* featuring a well-known Russian actor, Yevgeny Mironov. It also participated in the St. Petersburg International Economic Forum.

Longines celebrated its 135 years in the Russian market with an exhibition of historic watches in the Longines Museum and by opening a new store in central Moscow in the presence of Lithuanian actress Ingeborga Dapkunaite. Rado marked the launch of its new HyperChrome Collection with a series of photo advertisements featuring actress and style icon Renata Litvinova.

To celebrate its 160th anniversary, Tissot held special events in the GUM Department Store at the Red Square, all of them attended by the brand's president François Thiébaud and Russian hockey star Vladislav Tretiak.

Mid-range brands such as Balmain or Certina, which celebrated its 125 years by re-branding, as well as Hamilton and Calvin Klein watches + jewelry, introduced some improvements

and consolidated their retail networks by extending deeper into Russia.

Swatch organized two impressive shows: a presentation of Kalinka Malinka watches at Red Square and another one of the Scuba Libre collection, accompanied by a strong advertising campaign on major TV channels. Swatch also opened in Moscow its first boutiques in the prestigious Tsvetnoy Central Market as well as in the well-known Troyka department store; it also renovated one of its flagship stores in the Europeisky mall.

Special mention should be made of the development of Swatch Group Russia's Customer Service, both from technical and logistical points of view. It can be regarded as one of the best after-sales service centers in the country's watch industry.

## **Swatch Group USA** **40, 41, 42, 43, 44, 45, 46**

Swatch Group USA's continued growth can be attributed to its retail expansion, focused distribution and aggressive marketing initiatives as well as outstanding product placements within media.

In Dallas, Tourbillon opened its eighth boutique – the first in Texas. In Las Vegas, it relocated to a 353 square meter space, making it the largest in the world. Hour Passion also planted its flag in the United States with the opening of two boutiques in New York and Las Vegas.

Breguet boutique Beverly Hills reopened its doors to welcome a tourbillon exhibition with an exquisite reception along the entire stretch of Via Rodeo. The brand was also proud to sponsor "Precision and Splendor: Clocks and Watches at The Frick Collection". Blancpain celebrated the 60th anniversary of the Fifty Fathoms at an event held on a pier on the Hudson River in New York. A historic timeline and a selection of vintage and new timepieces were on display. Glashütte Original launched the Pavonina collection. The twenties-themed event at New York's historic Waterfall Mansion celebrated women in all their facets. Jaquet Droz hosted five exclusive events where guests were immersed into the brand's history of hand-crafted watches, with an experiential focus on hand-painted dials.

Secretary General Ban Ki-moon hosted a screening of the film *Planet Ocean* at the United Nations in New York City. He was joined by Omega president Stephen Urquhart, filmmaker Yann Arthus-Bertrand and over 400 guests. The brand expanded its retail network to 29 locations and hosted VIP clients at the PGA Championship in Rochester and the America's Cup in San Francisco. Longines established itself as the First Official Timekeeper and Watch of the Triple Crown with significant presence at the Kentucky Derby, the Preakness Stakes and the Belmont Stakes. The brand also expanded into US show jumping at the Hampton Classic Horse Show. Rado continued to focus on tennis, hosting VIPs at the Sony Open in Miami, where it served as Official Timekeeper and where brand ambassador Andy Murray won the championship.

Tissot benefitted from three MotoGP races this year at the new track in Austin, Texas. As the Official Timepiece of Madison Square Garden, Tissot unveiled a new lobby clock and installed suite clocks for the reopening of the newly transformed venue. Mido expanded its distribution to new states, including Indiana and Maryland. Hamilton continued to bolster its presence in the worlds of aviation and film, hosting guests at both EAA AirVenture in Oshkosh and the 7th Annual Hamilton Behind the Camera Awards in Los Angeles 2013 was an exciting year for Calvin Klein watches + jewelry with the expansion within a large national department store.

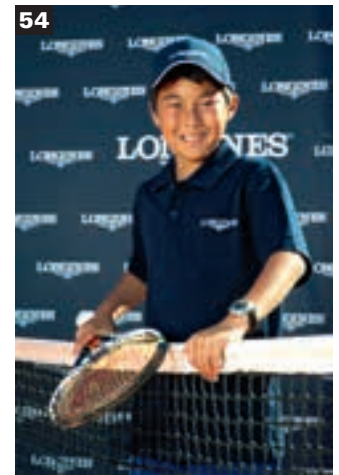
Celebrating its 30th anniversary, Swatch expanded with the openings of new stores including a flagship at the New York New York Hotel & Casino Complex in Las Vegas. Among of the year's high points were a playful aquatic themed launch for Scuba Libre and a partnership with Swim For Life.

## **Swatch Group Caribbean 47**

Swatch Group Caribbean experienced the first year in its new offices in Miami, achieving record turnover in the region and strengthening the qualitative aspects of its overall distribution network. Omega led a series of successful initiatives including the opening of its new franchised boutique in Sint Maarten. Thanks to shop-in-shops on luxury cruise ships, the brand strengthened its position as a market leader in its segment. Longines acquired significant market share with first class visibility in the press and a stronger presence on cruise ships. Rado enjoyed a record year and placed its emphasis on improving its points of sale and increasing market share, notably with the opening of an expansive shop-in-shop in Saint Thomas. Tissot continued its expansion, inaugurating its first franchised boutique in Sint Maarten. The year proved very positive for Hamilton and Mido, which invested in their presence on cruise ships. Calvin Klein watches + jewelry acquired new market share due to the improvement and reorganization of its distribution. Swatch focused on the opening of quality points of sale as well as on renovating many others including its Aruba boutique.







## Swatch Group Canada 48, 49

Swatch Group Canada's positive year was focused on elevating the quality of distribution across all brands, laying the foundation for further growth. Breguet, Blancpain, Glashütte Original and Jaquet Droz strengthened their leadership positions in the prestige market. Omega maintained its prominence in the luxury segment through greater visibility with successful shop-in-shops in the market. Longines had a stellar year with excellent response to the launch of the Conquest Classic collection. Rado upgraded its distribution network; the media responded positively to the launch of the Esenza Ceramic Touch. Tissot celebrated its 160th anniversary and continued its qualitative focus, strengthening its presence and positioning in all POS. Hamilton sustained its national expansion objectives by opening top retail locations and establishing stronger brand awareness nationwide. The launch of Calvin Klein watches + jewelry's new branding positively impacted sales. Swatch continued its retail expansion, launching a new Swatch store in Burlington, Ontario and renovating locations across the Greater Toronto Area.

## Swatch Group Brazil 50

In Swatch Group Brazil's busy year, Omega ended 2013 with four boutiques. Charming launch events and a variety of PR activities in São Paulo, Rio de Janeiro and Brasília motivated customers and generated outstanding brand exposure. Tissot and Mido had their best results per POS in recent years. The success of the global selective distribution strategy and the establishment of shop-in-shops in the country's most important cities once again secured leadership in their respective segments. Swatch enjoyed excellent media coverage in the Brazilian media. The brand's retail activities are in the implementation phase, with two additional concept stores scheduled to open soon in the best malls in São Paulo and Rio de Janeiro.

## Swatch Group Mexico 51, 52

Despite a challenging environment, the brands of Swatch Group Mexico achieved positive figures with an increase in market share. Breguet participated in the "High Complications" exhibition at Peyrelongue Chronos. Blancpain developed a unique piece, depicting motifs taken from Mexican culture. Omega strengthened its presence at the OHL Classic at Mayakoba golf tournament, celebrating the victory of brand ambassador Harris English. Longines achieved record attendance at the Longines Handicap de las Américas. Structural transformation with record results demonstrated the success of Rado's global strategy. Tissot opened its first pop-up store in the exclusive luxury mall Alta Vista 147. Mido celebrated its 95th anniversary with an exhibition of new products for clients and press, thus consolidating its indisputable mid-range leadership. Hamilton drew the attention of specialized media with the launch of its exclusive movements. Calvin Klein watches + jewelry collections were enhanced with the brand's fresh new look at points of sale. Swatch opened its flagship store in the renowned Perisur shopping mall and launched Scuba Libre with an underwater event in Cancún, where guests admired the watches among coral reefs.

## Swatch Group Panama 53

The recognition of Breguet in Latin America and the Caribbean was further enhanced by the strength of its retail network. The beginning of the celebration of Jaquet Droz's 275th anniversary coincided with new projects aimed at strengthening and positioning the brand and giving it better exposure in the region. Omega opened three boutiques in Brazil and one in Chile. Longines' well-attended events during the year generated very good results. Rado introduced the new HyperChrome Collection in the South American portfolio with a remarkably positive response. Tissot strengthened its leadership position with the opening of its boutique in Colombia, the first in the region. Certina's position in Argentina was solidified with strong visibility in its first World Rally Championship appearance. Mido raised its brand awareness and increased its customer base in 2013. Calvin Klein watches + jewelry increased market share through successful advertising activities and important growth in jewelry. Swatch significantly increased the number of stores in the region and refreshed its image by renovating existing ones.

## Swatch Group Australia 54, 55, 56, 57

The focus on strengthening the distribution platform for all Swatch Group brands in Australia led to positive results in 2013. Breguet experienced substantial growth thanks to its initiatives at POS and with VIP clients. Blancpain achieved exceptional growth by upgrading its presentation at POS and increasing promotional activities. Omega's strong performance resulted from its focus on VIP and media events, including the GoodPlanet event, Vogue Fashion's Night Out in the Sydney boutique and VIP events in all boutiques in the lead-up to the festive season. Longines continued to focus on qualitative improvements in its distribution, leveraging key international events: Roland-Garros, Prix de Diane, Royal Ascot and Hong Kong International Races, together with a robust Melbourne Cup Carnival campaign. Rado's results continued to soar driven by product innovation, training and increased advertising/public relations. Tissot's considerable growth was the result of enhanced representation at the POS level, a roadshow at Sydney International Airport and elevated promotion programs around Australian Football League and MotoGP sponsorships. Calvin Klein watches + jewelry strengthened its position significantly through its global rebranding. It continued to improve its presence in POS by investing in numerous shop-in-shops and a major display roll out. Swatch placed a major focus on the further consolidation of its wholesale distribution and upgrading key POS with shop-in-shops. Swatch also expanded its retail operations with new stores in Melbourne, Adelaide and Brisbane. Swatch e-commerce was also officially launched in November.

## Swatch Group China 58, 59, 60, 61

Adding to its successful tourbillon exhibition, Breguet unveiled its largest boutique in Shanghai's Xintiandi, showcasing unique pieces in its second floor museum, the first outside Europe. In the same area, the largest Blancpain boutique was also unveiled, offering an integrated lounge, customer service and a cultural platform. The Fifty Fathoms Exhibition celebrated the 60th anniversary of the collection. Glashütte Original created increasing demand for its classic watches with the concept of "German Watchmaking Art since 1845". Jaquet Droz achieved major breakthroughs and developed new markets in Xi'an and Changchun, further expanding sales territory. Its 275th anniversary was marked with a unique exhibition at the Swatch Art Peace Hotel in Shanghai. Omega continued to strengthen its distribution strategy while successfully maintaining market leadership. It opened its largest boutique in Hangzhou, and in Shanghai it launched the world's first truly anti-magnetic movement. Both events generated positive nationwide coverage.

Longines again had encouraging sales. The new Conquest Classic collection was prominently presented and widely acclaimed. With remarkable sales growth, high-tech ceramic exhibitions further enhanced Rado's innovative branding epitomized by the iconic HyperChrome Collection.

The release of the Tissot Luxury Automatic collection with the Powermatic 80 movement marked a new milestone in the brand's history, honoring its 160th anniversary with an enhanced brand image and a strong sales increase. Uniquely positioned as the only traditional watch brand for women, Balmain gained market share in the ladies' watch segment with a noticeable sales increase and expansion to 190 POS in 92 cities. In celebration of its 125th anniversary, Certina re-launched its corporate identity and released the DS Powermatic 80. Mido celebrated its 95th anniversary with the Great Wall and New Commander collections that reflected the Inspiration Creating Timelessness campaign. The second corporate store in China was opened in Shanghai with great expectations. Known for its cinematic connections, Hamilton staged the 2nd Hamilton Behind the Camera Awards China. Campaigns were held in key cities to launch its "American Spirit – Swiss Precision" tagline. Calvin Klein watches + jewelry adopted the updated Calvin Klein Platinum rebranding in April 2013. 32 POS were opened or renovated, creating an uplifting shopping environment that contributed to sales.

Swatch achieved standardized management for both retail and wholesale and sustained high growth in 2013. Brand repositioning was on the right track, highlighting the Swatch & Art Special José Carlos Casado OFF watch and successfully launching The Year of Snake and Scuba Libre collection. Flik Flak continued its strong presence in China. Products featuring elements of popular animated films were well received.





## Swatch Group Hong Kong 62, 63, 64, 65

Swatch Group Hong Kong continued to enjoy strong growth – even in an unpredictable market – through retail store expansion, distribution improvements and emotional PR and events. Breguet brought classical music to Hong Kong for the fourth consecutive year with Helsinki's Tapiola Sinfonietta and world-renowned cellist Trey Lee. In March, Blancpain opened two boutiques at ifc mall and 1881 Heritage. They were the latest shining additions in the Pearl of the Orient, offering an elegant and much-appreciated shopping experience crafted for watch *aficionados* and enthusiasts. With the motto "Our Spirit of Excellence", Glashütte Original presented its watchmaking treasures on board a European tall ship, the Bounty, against the beautiful backdrop of the Victoria Harbour. To celebrate the avant-garde spirit and refined taste that distinguished its founder 275 years ago, Jaquet Droz presented "The Enchanted Journey", an exhibition showcasing both historic and recent masterpieces, at the K11 Art Mall. Omega extended its boundaries by launching boutiques at ifc mall, The One and Empire Centre; it also expanded its boutique on Russell Street. To celebrate its pioneering spirit in watchmaking, Omega introduced the "Omega Co-Axial Exhibition – A Tale of Perfection" and premiered the eco-documentary film *Planet Ocean*.

The Longines HK Masters show-jumping event took place in February and March. Flagship stores were opened in Mong Kok, the Regal Hotel and China HK City, while Harbour City and Times Square were renovated. Longines was the title sponsor of the HK International Races in December. In October, a product launch was held to celebrate the debut of Rado's exceptional Hyper-Chrome UTC dual time zone watch. The grand opening of Rado's new flagship store in Causeway Bay followed, doubling the festive spirit.

Tissot hosted its 160th anniversary Ceremony and "Around the World in 160 Years" roadshow exhibition. In celebration of Certina's 125th anniversary, a new corporate identity with a fresh green logo was implemented at all POS. The launch of DS Powermatic 80 was a big success with a series of marketing campaigns on the MTR and on billboards. Mido continuously advertised on attractive giant billboards and opened another new boutique in December in Causeway Bay. Hamilton held a gala premiere of *A Good Day to Die Hard* and had a roadshow at V-City, Tuen Mun. The 6th & 7th Calvin Klein watches + jewelry boutiques opened in November at Langham Place and Grand Century Place Mong Kok. The Asian launch of Calvin Klein Platinum label was held at Shaw Studios Hong Kong with a special runway featuring watches and jewelry.

Creating hype for its thirtieth anniversary, Swatch unveiled the latest flagship store at East Point Road, Causeway Bay with an exuberant press event and street party.

## Swatch Group Macau 66

Sales in Macau continued their impressive growth in 2013 with more tourist traffic, stronger distribution and emotional marketing activities. Blancpain and Lamborghini brought the final stage of the Blancpain Lamborghini Super Trofeo Asia Series to the 60-year-old Macau Grand Prix in November. Blancpain invited guests to enjoy the exciting race and to experience the brand's watchmaking excellence. To create the best possible shopping experience for its customers, Omega enhanced and expanded its boutique at The Venetian Macao.

Tissot held a month-long roadshow at The Venetian Macao in August. With its 160th anniversary theme, an eye-catching light box attracted passers-by and drove direct sales successfully. Mido maintained its marketing strategy to enhance brand awareness and exposure with effective outdoor communications with its target customers. Hamilton introduced a new shop-in-shop concept in the Macau market. Calvin Klein watches + jewelry's first monobrand store in Macau, opened in June at The Venetian Macao, the largest store among those opened in Hong Kong and Macau.

The Swatch shop at The Venetian Macao was renovated in March to offer customers an even more attractive and comfortable shopping experience.

## Swatch Group Taiwan 67, 68, 69, 70

In a challenging market, Swatch Group Taiwan increased market share in all segments by focusing on retail development and branding. Breguet cultivated customer relationships with successful boutique events. Blancpain's activities enhanced brand image and won market share. Glashütte Original opened a POS in Taoyuan and emphasized German manufacturing excellence. Jaquet Droz established a business at Yung-Hsin Watch and introduced the Bird Repeater. Omega continued its retail expansion with two new boutiques and successfully screened *Planet Ocean*. Longines opened its new corporate store in Taipei SOGO BR4. Ambassador Chi-Ling Lin visited the Longines Museum and the Barcelona CSIO event. A Rado kiosk opened in Taipei 101. René Liu inaugurated the boutique and presented the new HyperChrome. Tissot's 160th Anniversary generated great media exposure. Mido launched the Great Wall and Multifort collections in Taiwan to an upbeat response. Actors in a top-rated local TV soap opera wore Hamilton watches. Calvin Klein watches + jewelry's new brand image resonated with customers. Swatch had impressive growth and communicated its innovative image with the new Taichung San-Ming store. Flik Flak strengthened its leading position in the children's watch segment.

## Swatch Group Singapore 71, 72

Despite the economic challenges faced in 2013 in Singapore, the Swatch Group brands powered on with their retail network expansion and continued dynamic marketing and promotional activities. Breguet hosted a three-day event with cameo engraving demonstrations and treated its distinguished guests to an exclusive tailored menu at high-end restaurant Au Petit Salut. Blancpain celebrated the 60th anniversary of its Fifty Fathoms range at newly-opened fine-dining restaurant ME@OUE. Glashütte Original presented an evening of haute horology magnificence at The Lighthouse in the Fullerton Hotel. Jaquet Droz's Bird Repeater was the highlight of the cocktail event held at the Paragon mall in collaboration with The Hour Glass. Omega's ten-day long Co-Axial exhibition took center stage at the Paragon mall. Longines organized a charity luncheon connected to the Longines Singapore Gold Cup. Rado reinforced its local presence with several shop-in-shop openings and new point-of-sale renovations. Tissot's 160th anniversary exhibition in conjunction with the opening of the brand's first flagship boutique in Suntec City Mall was a huge success. Mido embarked on aggressive outdoor advertising campaigns to strengthen its brand presence. Hamilton showcased its aviation heritage with the launch of the Khaki Pilot Pioneer at Vivo City. Calvin Klein watches + jewelry opened its first flagship store at Bugis Junction. Swatch continued to reinforce its retail presence and successfully launched the Scuba Libre range.

## Swatch Group Malaysia 73, 74, 75

Driving another record year of sales, Swatch Group Malaysia continued to strengthen its corporate network of monobrand stores across all brands and dominated the local watch scene with creative marketing activities throughout the year. Breguet organized an exclusive dinner to showcase its Baselworld novelties to Sincere Fine Watches' VIP clients at Cantaloupe, a trendy French restaurant in Kuala Lumpur. Star-golfer Michelle Wie shared her experience as an Omega ambassador with the Malaysian media before the start of the Sime Darby LPGA tournament. Longines' ambassador of elegance, Aishwarya Rai Bachchan, graced the official opening of the first Longines flagship boutique in luxury mall Pavilion KL. Rado opened a brand new boutique in the Malaysian landmark, the Petronas Twin Towers and, in its capacity as official timekeeper of the Malaysian Tennis Open 2013, re-introduced the 'Smash Corner' along the busy street of Bukit Bintang. Tissot held several exhibitions nationwide in conjunction with its 160th anniversary and opened yet another boutique in one of the busiest malls in the country, Sunway Pyramid. Mido introduced its new Commander II collection in the Malaysian market. Certina launched its new corporate identity through a qualitative brand exhibition in the top shopping center of Mid Valley Megamall. Calvin Klein watches + jewelry opened its first monobrand boutique in Pavilion KL. Swatch continued to upgrade its retail network and successfully launched its Scuba Libre collection.

## Swatch Group Thailand 76, 77

Swatch Group Thailand had an exceptional year with outstanding growth in all distribution channels. Breguet celebrated its new partnership with Pendulum by hosting an exquisite sit down dinner for leading watch retailer's VIP clients at the Grand Hyatt Erawan. Blancpain also celebrated its collaboration with Pendulum as its new retailer by hosting an exclusive preview of the products launched in Basel for members of the Thai Watch Lovers Club complemented by the spectacular French cuisine of Chef Hervé at Le Beaulieu. Inspired by the classic beauty of its Ladymatic collection, Omega introduced new two-tone models during a memorable evening at The Emporium luxury mall in conjunction with the inauguration of its newest Boutique. Longines held a ribbon-cutting ceremony for the brand's latest shop-in-shop in Siam Paragon. Rado launched its HyperChrome Collection in cutting-edge style at the Zense restaurant in Central World. Tissot was the official timekeeper of the 25th FIBA Asia Championship for Women in Bangkok. Swatch strengthened its retail presence with the opening of a new flagship store in Mega Bangna and the re-opening of its Siam Center flagship store following the shopping center's major renovation.



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## Swatch Group South Korea 78, 79

Swatch Group South Korea continued its momentum achieving double digit growth, with a focus on reinforcing quality distribution in prime locations. Breguet continue to enjoy its leadership position with its newly renovated boutique in Seoul's Avenuel department store. The spirit of Blancpain was also showcased in the capital city through the brand's entire collection at the Horim Art Center. Omega's "Co-Axial Movement" exhibition maximized brand presence and the Ladymatic event strengthened its position in women's watches. Longines continued to achieve strong growth in all sales channels conveying its brand identity through enhanced quality distribution and a successful product launch. Rado celebrated the opening of its first boutique at Shinsegae department store in Seoul, which attracted the attention and interest of consumers. Another sales record breaking year for Tissot focused on upgrading brand presence at its point of sales. It celebrated its role as official timekeeper of the 17th Incheon Asian Games 2014 with the inauguration of a one year countdown clock, attended by press, trade and opinion leaders. Mido continuously enhanced brand awareness through a TV campaign and exhibitions. Hamilton had an outstanding year, clearly becoming the leading brand in its segment. It continued its commitment to cinema by sponsoring the Busan International Film Festival. Calvin Klein watches + jewelry announced its rebranding project through the Discover Calvin Klein event in July. The opening of the new Swatch corporate flagship store in August was one of the year's highlights and a turning point for the brand's future direction.

## Swatch Group Japan 80, 81, 82, 83, 84

Swatch Group Japan had an excellent year, with all brands strengthening their positions in their respective market segments. The increased market share resulted from exciting marketing campaigns and an optimization of the distribution network. Brand boutiques had a record year, and led the way to this success.

Breguet's outstanding year peaked with the exhibition "Breguet, the Innovator" at the Tokyo National Museum, the oldest and largest museum in Japan, to the delight of connoisseurs, media and local celebrities. Blancpain treated its VIP customers to an exclusive launch of its new L-Evolution Flyback Chronograph in collaboration with Lamborghini. It was an excellent year for Glashütte Original and Jaquet Droz, whose customers enjoyed the latest collections in special VIP nights in the luxurious atmosphere of their Ginza boutiques.

Thanks notably to its Co-Axial campaign aired on national TV, Omega had very healthy growth. In June, at the Cité du Temps in the Hayek Center in Ginza, Omega introduced its anti-magnetic watch, the Seamaster Aqua Terra > 15000 Gauss, to media. The Japanese people are particularly new-technology-savvy and the launch made the national news, bringing even greater recognition to the brand. In July, Omega fans and the press were treated to a special "Planet Ocean" night emphasizing the brand's commitment to oceanic health and ecology.

In the high-range segment, Longines strengthened its position, and The Longines Heritage Collection event, in collaboration with the watch magazine *Chronos*, attracted the attention of watch *aficionados* nationwide, driving sales of this particularly well-received collection in Japan. Highlighted at the Japan Tennis Open, Rado's HyperChrome Court Collection enjoyed instant success and contributed to the brand's successful year. Thanks to a great marketing campaign around its 160th anniversary along with some spectacular exhibitions in high-traffic locations, Tissot also enjoyed a record year. Hamilton retained the leadership position in its segment, thanks to a roll-out of shop-in-shops in key retailers and promotion campaigns around Hollywood movies. The new logo and merchandizing of Calvin Klein watches + jewelry made a spectacular impact and helped achieve a very good year for the brand.

Finally, it was a Swatch year in Japan, with the opening in April of the second flagship store in Tokyo in trendy Shibuya. In terms of product, Scuba Libre was the star product of the summer. This new collection was unveiled at the Cité du Temps in June at a special beach party in the middle of urban Tokyo, to the delight of numerous Swatch fans and bloggers who dressed for the occasion.

## Swatch Group India 85, 86, 87, 88

Swatch Group India registered strong growth in 2013 in an uncertain, difficult economic climate. This was the result of qualitative distribution, new POS and retail focus along with differentiated marketing activities and events leveraged by consistent PR. Breguet reinforced its leadership position in the prestige segment with record sales and entered Hyderabad with a shop-in-shop. Blancpain increased brand awareness and installed new shop-in-shops in Delhi and Hyderabad. With aggressive PR, Jaquet Droz built awareness among high net worth individuals. The Swatch Group's prestige brands together organized private viewings with exquisite masterpieces in Delhi and Chennai, which were very well received. Omega's seventh boutique in India was inaugurated in Kolkata by brand ambassador Abhishek Bachchan, who also opened Mumbai's Co-Axial exhibition. Its boutique activities focused on Ladymatic timepieces; Omega sponsored also the Hero Women's Indian Open. Longines opened twelve shop-in-shops nationally and its second boutique in Chennai. Brand ambassador Aishwarya Rai Bachchan congratulated the winners among over 100 entries of the Oldest Watch in India, and launched the new Classic Conquest collection at an elegant gala dinner in Delhi. Rado opened boutiques in Chennai and Cochin, which were inaugurated by Lisa Ray. Ambassador Hrithik Roshan, who appeared in successful TV and press campaigns, was a huge attraction for the media at two events that reinforced Rado's focus on the HyperChrome range. Tissot opened five boutiques. Deepika Padukone promoted the Racing Touch collection at the opening of a Bangalore boutique. Balmain strengthened its network with 14 new POS and ten shop-in-shops. Calvin Klein watches + jewelry strengthened distribution with 26 POS and 14 shop-in-shops. Swatch opened six exclusive stores and 27 shop-in-shops. The Scuba Libre collection was launched with a press and media event; innovative mall activation supported the Urban Expression collection.

## Swatch Group Middle East 89, 90, 91, 92, 93

In a successful year, Swatch Group Middle East showed positive results and increased sales. The tenth anniversary of the annual "Time to Celebrate" event focused on 30 years of Swatch and welcomed Harry Winston to Swatch Group.

Breguet enhanced its regional presence with new shop-in-shops at the Ritz Carlton and Sowwah Square in Abu Dhabi. The "Breguet, the Innovator – Inventor of the Tourbillon" exhibition at the Grand Atrium of the Dubai Mall was well attended. Blancpain celebrated the 60th anniversary of the Fifty Fathoms, presenting the Bathyscaphe collection at the Dubai Aquarium & Underwater Zoo. Jaquet Droz continued to develop its distribution through new shop-in-shops and strengthened its position by attending regional fairs. Glashütte Original dedicated the year to the celebration of women with the launch of the Pavonina collection. The brand focused on quality distribution and optimizing its network. Omega continued to raise brand awareness through the growth of its distribution network and high-profile title sponsorships of the Dubai Desert Classic and the Dubai Ladies Masters.

Continuing its growth through a solid and qualitative distribution strategy, Longines cemented its position as a key player in the region. New flagship stores confirmed its strength in the United Arab Emirates. Rado strengthened its retail presence with the opening of new boutiques in Medina, Saudi Arabia and Fujairah, UAE. In December, a campaign with global ambassador Andy Murray in the UAE complemented Rado's role as Official Timekeeper of the Mubadala World Tennis Championships.

Mid-price market segment leader Tissot again achieved record growth. Retail presence was upgraded through a rollout of a new POS concept. Balmain streamlined its distribution and upgraded its image. The strong commitment of local partners in the UAE, Qatar, Oman and Bahrain resulted in an increased number of POS, raising visibility and generating sales. The new corporate identity implemented by Certina was met with positive feedback and the upgrade will continue in 2014. Hamilton had another positive year and continued its regional development with a new agent in the Saudi Arabia. It worked closely with Rivoli to increase and enhance its exposure in the UAE market, particularly in Dubai, with several new shop-in-shop openings. In 2013, Calvin Klein watches + jewelry grew in the region; its distribution in Saudi Arabia is prospering. The brand achieved outstanding results in Egypt, Lebanon and Jordan, while Tunisia and Libya also posted encouraging sales increases.

Swatch continued to build strong market share throughout the Middle East through qualitative retail expansion. The launch of the New Irony Chrono and Scuba Libre enjoyed solid success with dedicated marketing activities in Saudi Arabia and Dubai.



## Swatch Group South Africa 94, 95, 96

In a challenging economic environment, Swatch Group South Africa enjoyed an extremely successful year in 2013, with most of its brands achieving record results. Products introduced at Baselworld were presented at a media event. Breguet won significant new market share and reinforced its status in the high-end segment. Blancpain enhanced its network with a key retailer in Cape Town. Omega concentrated on the quality of its distribution and had solid growth, strengthening its market presence with two new shop-in-shops. Longines saw substantial growth; its many successful events included the Longines Saint-Imier Collection launch. Rado enjoyed excellent media coverage through various prestigious launches to celebrate the Rado HyperChrome Collection, highlighted by the popular *Oprah* magazine event attended by 6000 woman including, notably, Oprah Winfrey herself, wearing a Rado True Thinline. Tissot's double digit growth was backed by a TV campaign. Consistent development of quality distribution proved to be a successful long term strategy. Calvin Klein watches + jewelry concentrated on rebranding and strengthening its positioning. Swatch continued to focus on its retail stores, renovating its boutiques for greater visibility in the malls. Innovative digital billboard advertising increased the brand's visibility.



**GOVERNANCE**

ENVIRONMENTAL  
POLICY

SOCIAL POLICY

CORPORATE  
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 pays the utmost attention to our environment and to safety considerations in general. These dimensions are part of environmental, social and corporate governance values (ESG) that are of the highest importance to everyone, as is also expressed in various sections of this Annual Report.

As a matter of principle, resources are used efficiently and sparingly in order to ensure the ecological and sustainable production and commercialization of the products. Even at the very beginning of the planning and development phases of new products, only easily recyclable raw and auxiliary materials as well as ecological production methods are taken into consideration.

In particular, actions are implemented to reduce energy consumption, whether through production installations equipped with intelligent energy management systems or through the energy optimization and thermal insulation of facilities. The most recent technologies and thermal insulation are employed on new sites, both during construction and renovation, in order to minimize ecological impact and energy consumption. Examples are a rainwater recuperation facility of 100 cubic meters and a photovoltaic installation with a 160 GWh per annum power supply at Boncourt (JU).

All the relevant values related to operational ecology are annually collected, consolidated and analyzed. The data are assessed and used to measure improvements made, and also to establish new targeted benchmarks. Progress achieved in terms of operational ecology during the reporting period is highlighted by the set of indicators presented here.

## Progress achieved

The targeted measures taken once again focused on environment-related areas such as energy, water and air quality and waste management. As in previous years, the parameters observed in the various affiliated companies showed significant contrasts, thus reflecting the variety of activities covered by the Swatch Group companies. The results achieved in 2013, compared to 2012, were very positive, taking into consideration the significant increase in production in the watch and jewelry segment, and the production of movements and components, as well as the continued expansion of distribution and retail networks.

Here are a few examples of the progress achieved:

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

Compared to the previous year, total consumption of fossil energies increased to the same extent as heat consumption. As a result, CO<sub>2</sub> emissions also increased. These increases must be seen in relation to the massive reduction in levels in this regard over the past ten years.

In early 2013, Swatch Group also decided to have all its production sites participate in a CO<sub>2</sub> tax exemption program. Within this framework, freely agreed financial and ecological measures aimed at reducing energy consumption and resulting CO<sub>2</sub> emis-

sions have been decided together with the Confederation. The objective of this agreement is to further reduce energy consumption from 2013 to 2020.

In collaboration with the Swiss Economic Energy Agency (EnAW), internal specialists visited each one of the sites concerned in order to perform energy audits aimed at identifying new ways of reducing CO<sub>2</sub> emissions and developing measures to implement from 2014 onwards.

In this way, Swatch Group will continue to contribute significantly to a sustainable industrial production site in Switzerland.

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

Compared to the previous year, consumption of electricity by floor space unit decreased by 2.9%, despite the very high increase in production and the opening of new points of sale. This rewarding development was once again achieved through investments in machines and installations with improved energy consumption in several production units. Considerable investments were also made in new lighting, the renovation of existing lighting and in the use of LED technologies.

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

Energy consumption using heating oil, natural gas and remote heating increased by 2.4% over the reporting year, following very strong growth in production volumes in all segments, extending the distribution network and the increase in the number of days of heating. Proportionately less than the overall growth in activity, this result with regard to heating consumption was achieved thanks to continuing investment in building insulation and renovation, heating installation improvements, optimization or replacement of air-conditioning and water-cooling systems and the implementation of new heat recovery systems or solar-powered water heating installations. Through regular investment to minimize heating consumption by floor space, consumption was cut in half over the last ten years.

### Waste management

Despite the increase in production volumes, the amount of special waste (excluding watch batteries) was reduced by 4.7% and the share of recovered or recycled special waste once again decreased by 13.0%. Industrial waste such as paper, cardboard, synthetic material and electronic components increased slightly, while the proportion of recycling of industrial waste rose during the same period to more than 20.2%.

### Battery recycling

During the reporting year, the quantity of batteries collected and delivered to registered companies specialized in recycling increased to 10.7 tons, excluding the elimination of expired batteries and the liquidation of end-of-series at Renata.

### Water management

Considerable progress was again made in this area too. Consumption of drinking water decreased by 8.6% compared to the previous year, and this despite the very high increase in production, the increase in staff numbers, the increase in working days (increased use of drinking water for personnel), as well as the increase in the number of air-conditioning and cooling installations. Consumption of non-potable water increased by 9.8%. Other positive results worth mentioning are the reduction in





wastewater achieved by the installation of closed water circuits, the improved yield of wastewater treatment plants, the investments in rainwater recovery systems and the use of this rainwater for cooling and sanitary systems.

#### Emissions of VOCs (Volatile Organic Compounds)

The increase in production volumes during the reporting year led to a 16.8% increase in the consumption of products generating VOC emissions compared with the previous year. This was mainly due to an increased use of acetone, alcohol and benzene as cleaning agents for produced components. This meant that VOC emissions increased by 15.8%, while 17.8% of the additional VOCs were recovered or recycled, notably due to the implementation of processes for recovering benzene and other volatile solvents. The increase in VOC emissions was also contained by further replacement of volatile substances with processes using aqueous solutions that do not contain solvents, or less volatile substances.

#### Risk management

Risks deemed to be decisive factors are identified and covered in the Corporate Risk Management System. Appropriate measures are elaborated and implemented in order to eliminate potential incidents. A main focus is placed on Business Continuity Management. Internal and external experts pinpoint the important operational units and their interdependence, define the principal risks (fire, flooding, chemical substances, interruption of production) and determine the necessary measures to ensure business continuity and therefore, preventive and emergency measures are key elements in Swatch Group's risk management. Another essential aspect of the Swatch Group risk management is the independency policy. This implies that wherever it is useful, the company reduces its dependence on its suppliers, distribution partners or financial service providers. The measures taken in this respect notably include maintaining sufficient inventory stock levels, developing and modernizing production capacities, diversifying supply sources, acquisitions and a high equity ratio.

Swatch Group also pays close attention to the safety and health of its employees. Legal requirements in this regard are strictly adhered to and all the necessary resources are thus committed to achieving this objective.

Environmental, ethical and social criteria are also an integral part of Swatch Group's procurement policy. The conscientious procurement of specific raw materials such as precious metals, diamonds and exotic leathers is a priority for the company. Swatch Group has therefore freely decided to renounce the use of wood from threatened species of trees and to use only wood

from sustainable plantations, in order to make an additional contribution to improving the ecological balance. Swatch Group also requests, to the extent possible, that its suppliers guarantee that precious metals delivered are sourced from regions with irreproachable ethics and exempt from armed conflicts, and that they comply with all legal supply chain requirements. In the same way, the company ensures that the diamonds used for its products are sourced only from suppliers strictly complying with and following the certification system stemming from the Kimberley Process. Finally, with regard to the requirements for exotic leathers, the Swatch Group companies are careful to use only materials from controlled breeders.

With respect to sustainable production methods and products, Swatch Group fully complies with the applicable regulations, notably those of the European Union, such as the directive regarding the limitation of the use of certain dangerous substances (RoHS), the regulation governing the registration, evaluation, authorization and restriction of chemical products (REACH), and the directive regarding the elimination of electrical and electronic equipment waste (DEEE).

Complementary information on energy and ecology is provided by Belenos on page 102 of this report, while Swatch Group Quality Management covers environmental protection and safety measures on page 103.



# Social policy

[www.swatchgroup.com/en/human\\_resources](http://www.swatchgroup.com/en/human_resources)

## General principles

Employees are key to a company's success. Strong believers in this principle, Swatch Group does everything possible to ensure that each and every one blossoms to his or her greatest potential, demonstrates creativity and takes on responsibilities. In other words, the company is committed to ensuring that all staff members are able to express their entrepreneurial abilities when performing their duties, by feeling that they are heard and respected by the entire organization.

## Jobs

With more than 33000 jobs on 31 December 2013, Swatch Group continued its expansion in Switzerland and abroad. The reinforcement of Swiss Made manufacturing created important developmental opportunities in certain areas of production. Three new factories went into operation on Swiss soil in 2013, consolidating the company's position as a leader in the field of watchmaking parts and resulting in the creation of new jobs. The staff complement increased by 3800 jobs, including more than 900 in Switzerland. Concerning the evolution of Swatch Group beyond Swiss borders, and particularly in countries that are home to direct subsidiaries, it should be mentioned that retail activity is growing continuously.

The acquisition of Harry Winston in 2013 saw the addition of a great brand to Swatch Group, thus bringing a new dimension not only in the area of products, but also with regard to professions and skills.

## Staff development

Human capital is one of the key success factors of Swatch Group, which devotes great effort to ensuring the broadest spectrum of internal know-how, covering all areas of activity, from crafts to new technologies that need to be anticipated and mastered.

To achieve this, the company continues to make a significant investment on an ongoing basis in the maintenance, development and acquisition of competencies for all its employees, whether in terms of knowledge, technical know-how or interpersonal skills.

## Initial professional training

Swatch Group plays an important role in the field of dual training, an apprenticeship program that alternates practical on-the-job training with theoretical classes taught at schools. Maintaining skills levels in regions where Swatch Group is active and within its companies is the subject of constant concern for initial professional training, in order to prepare the next generation of specialists in many highly specific professions. At the end of 2013, the company had apprentices in 30 different professions. An ambitious objective set in August 2012 of increasing the number of apprentices by 10% was not only achieved but exceeded to a considerable extent, as the company had 390 apprentices at the beginning of the 2013 academic year in August, representing a 14% increase. This welcome increase is a concrete demonstration of Swatch Group's social commitment to youth and to maintaining know-how in the watchmaking arc in the heart of the Jura Mountains.

To broaden the horizons of young people undergoing training, exchanges were organized between Swatch Group's apprentices in Switzerland and those in its German subsidiary. This opening to the world, to other cultures and to new ways of working will be reinforced in the next few years by further exchanges.

## Nicolas G. Hayek Watchmaking Schools

The six Nicolas G. Hayek Watchmaking Schools across the world have enjoyed ongoing success: in 2013, as always, the training capacity was substantially increased, allowing an increasing number of people to move into the world of watchmaking and to acquire specific knowledge and skills in the domain.

## Professional development

In 2013, the main activities in the context of professional development took place in three main areas:

- Reinforcement of the creation of further education spaces for employees working in the design and manufacture of new products;
- Professional reconversion for employees following technological developments, as well as the acquisition of skills and new techniques that enable them to continue their jobs effectively for Swatch Group;
- Accreditation of prior experience and learning through pilot projects developed by the company and sent to the Swiss authorities responsible for education for approval, with excellent collaboration between private and public partners.

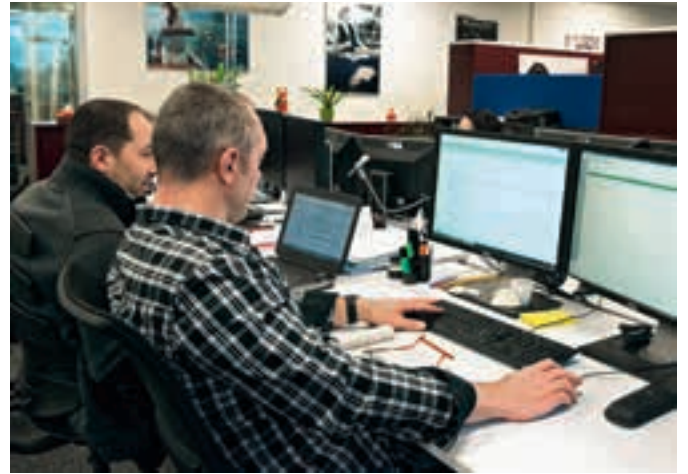
## Social partnership and working conditions

The values of listening, respect and mutual confidence are fundamental elements of Swatch Group. Collaboration and ongoing contact with internal staff committees at its companies and with external social partners were once again developed and consolidated, within the context of the new collective agreement of the Swiss watchmaking industry which came into force on 1st January 2012 for a five year period.

With regard to working conditions, particular emphasis was placed on questions of mobility in 2013. In this area, the company more specifically favored car-sharing, organizing bus travel, as well as exchange parking, and developed measures to encourage the use of public transportation.

In the workplace, investigations into ergonomics were continued and extended, with the aim of creating optimal working conditions.





# 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 20 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 201 to 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 ISIN number CH0012255151 at the SMI, SPI as well as SLI indices. The registered shares are listed under the ISIN number CH0012255144 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, Seedorstadt 6.

### 1.2 Significant shareholders

As of 31 December 2013, the Hayek Pool, related parties, institutions and persons control 63 266 042 registered shares and 670 bearer shares, totalling 40.8% (previous year 41.3%) 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'Ebauches SA et des maisons affiliées	Neuchâtel	—
Various employer-funded foundations <sup>1)</sup>	Various	—

<sup>1)</sup> Wohlfahrtsstiftung der Renata AG, ETA Wohlfahrtsstiftung, Fonds de prévoyance d'Universo, Fondation Technocorp, Fondation de prévoyance de The Swatch Group Les Boutiques SA and CP Caisse cadre

The community of heirs of N. G. Hayek controls directly, through related parties and institutions and in the context of the Pool 40.4% (previous year 40.8%) of the votes; third party Pool members are represented therein, they comprise 4.3% of the Swatch Group voting rights.

Mrs Esther Grether's group controls 7.1% (previous year 7.1%) of the votes registered at 31 December 2013 in the share register. On 31 December 2013, no other individual shareholder or group of shareholders holding more than 5% is known to the Company.

# Corporate Governance

**1.3 Cross-shareholdings** The Swatch Group holds no cross-shareholdings.

## 2. Capital structure

**2.1 Capital** On 31 December 2013, 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 31.12.2013</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 2013.

**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
31.12.2011	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2012	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2013	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 2012 and 2013, is published on page 163. For The Swatch Group Ltd, it is published for the year 2013 in note 9 on page 211. With regard to the previous years we refer to the annual reports 2010, 2011 and 2012.

**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 2013, the content of this portfolio amounted to 1 396 771 registered shares; this corresponds to 0.50% of the total share capital (previous year 1 641 734 registered shares, 0.59% of the total share capital). In 2013, 244 963 registered shares (or 0.09% of the total share capital per 31.12.2013) 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>
2011	81 910	219	2013
2012	81 565	231	2013
2013	81 488	228	2013
<b>Total</b>	<b>244 963</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>
2012	80 308	222	2014
2013	81 188	227	2014
2013	81 419	227	2015
<b>Total</b>	<b>242 915</b>		

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively. With the exception of Mrs Nayla Hayek and Mr G. N. Hayek no members of the Board of Directors received options or shares under this plan.

# Corporate Governance

## 3. Board of Directors

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

The Board of Directors on 31 December 2013 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 acquisition of Harry Winston (26.03.2013), Mrs Hayek was appointed president and CEO of this new business entity. As Board member of the Hayek Group, she is responsible for Hayek Engineering AG, Hayek Immobilien AG and Hayek France SA. Mrs Hayek is Chairwoman 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.

**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. Otherwise, he exercises no other executive or advisory functions and 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 repairation 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.

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**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 1. 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 (BIS) 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).

### 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 2016
Esther Grether	1986	Up to 2016
Georges Nicolas Hayek	2010	Up to 2016
Prof. Dr. h.c. Claude Nicollier	2005	Up to 2016
Dr. Jean-Pierre Roth	2010	Up to 2016
Ernst Tanner	1995	Up to 2016

On the occasion of the General Meeting the members of the board of directors were re-elected for another term of three years. Since, the Ordinance Against Excessive Compensation in Listed Stock Corporations has entered into force on 1.1.2014, pursuant to which directors may only be elected for a term of office of one year. Accordingly, the members of the board of directors (and the Chairwoman) will be again proposed for re-election at the General Meeting 2014 (each individually and for a one year term of office).

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

There were no changes to the composition of the Board of Directors during the reporting period.

### 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. The office of Secretary to the Board of Directors is carried out by Mrs Meyer-Kluge. The Secretary to the Board of Directors is not a member of the Board. The term of office of the Chairman, the Vice-Chairman and the Secretary is, in each case, three years (new as from 1.1.2014: one year). 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).



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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.

### 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, 2013

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

**Nick Hayek**, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003 and member of the Board of Directors since 2010, Mr Hayek has worked with the Swatch Group since 1994, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1<sup>st</sup> prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and manager of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and of Belenos Clean Power Holding Ltd.

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**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, Swatch Group Spain, Swatch Group Belgium and Swatch Group Netherlands 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.

**Pierre-André Bühler**, Swiss citizen, technical education, member of the Extended Group Management Board since 2008 and of the Executive Group Management Board since 2013, responsible for ETA. Mr Bühler started his career within the Group in 1977 as manager of the industrialisation division at Michel SA in Grenchen. 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 and is a member of the Board of Directors of CSEM.

**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. Mr Darwish represents the Group on the Board of Directors and the Science Council of the CSEM as well as on the Board of FLRH; 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 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 and of the Executive Group Management Board since 10.02.2012, 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).

**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. Since 20.09.2012 he performs the role of a Vice President of the Executive Board of the FH.

**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.

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

**Raynald Aeschlimann**, Swiss citizen, graduated with a degree in economics and an MBA from the University of St. Gallen (HSG). He was appointed to the Swatch Group's Extended Group Management Board in 2013. Mr. Aeschlimann has been Vice President and International Director of Sales, Retail and Distribution at Omega SA since 2001. He joined Omega in 1996 as Sales and Marketing Project Manager. He was also Brand Manager of Omega and Blancpain Spain in 2000 and has been the Group Coordinator for the Swatch Group's Indian subsidiary since 2010. Mr. Aeschlimann is on the Executive Board of the Federation of the Swiss Watch Industry FH. He had previously worked at Longines and Complemta AG in St. Gallen from 1992 to 1996.

**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.

**Jean-Claude Eggen**, Swiss citizen, holds an engineering degree from the University of Applied Sciences (HES) in Biel/Bienne. He completed additional studies in business economics and automation and also obtained an Executive MBA. A member of the Extended Group Management Board since 2013, Mr. Eggen began his career at the Swatch Group in 1992 as director of SMH Engineering SA in Grenchen. He subsequently directed the MIM (Metal Injection Molding) activities for the production of steel cases at ETA Manufacture Horlogère Suisse SA. Prior to taking up a position as Vice President Swatch & Quartzline at ETA, Mr. Eggen also worked as Director of Operations for Phonak Communications SA, where he was responsible, inter alia, for organizing production in Vietnam.

**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 Germany and Swatch Group Nordic (Denmark, Finland, Sweden, Norway). Mr Gamard is also responsible 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.

**Hans-Rudolf Gottier**, Swiss citizen, holds an electrical engineering degree from the University of Applied Sciences (HES) in Biel/Bienne and is a member of the Swatch Group's Extended Management Board since 2013, where he is responsible for the segment Electronic Systems. Mr Gottier began his career in Swatch Group in 1980 as head engineer of the quartz production. Since 1990, he is the CEO of Micro Crystal Ltd. During this period, Micro Crystal was developed from being an internal quartz supplier for the watch business to being a worldwide quartz supplier. Mr Gottier has also supported Oscilloquartz Ltd since 2005 and is responsible for its operational management since 2013. Over the recent years, Mr Gottier has moreover conducted several restructuring operations within Swatch Group Electronic Systems. Prior to joining Swatch Group, Mr Gottier worked in South America where he was responsible for the technical implementation in connection with the importation of large machinery and installations.

**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».

**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. 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 and subsequently a member of the management of Frédéric Piguet. Since 2010, Mr Meier is responsible for the manufacture of the Breguet watch cases. Before joining Swatch Group, Mr Meier worked as development engineer for Jung-hans in Germany.

**Calogero Polizzi**, Italian citizen, holds a diploma in information technology from the Industrial Technical Institute L. Cobiainchi in Verbania, Italy and is a member of the management of The Swatch Group Services Ltd. He was appointed to the Swatch Group's Extended Group Management Board in 2013. He has been responsible for the IT systems at Swatch Group since his appointment as CIO (Chief Information Officer) in 2005. Previously he worked as IT Manager in the Italian subsidiary of Swatch Group and as Head of IT at The Swatch Group Distribution LTD. Between his activities for Swatch Group Italy and Swatch Group Distribution he was Chief Information Officer at Tod's S.p.A. Before joining Swatch Group, Mr Polizzi worked at Whirlpool where he was engaged in various information technology positions at the international level.

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**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 The Swatch Group Corporate Controlling and Logistics, Swatch Group Malaysia, Swatch Group Singapore, Swatch Group Thailand and Swatch Group South Africa. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, Mr Steiger held leading finance and logistics posts with various Group companies (among others Swatch and Longines). Before joining the Swatch Group, he had worked with international groups in Switzerland and abroad (Shell, Philips).

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

### Employment Contracts

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.

## Corporate Governance

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

With effect from 01.01.2013, Mr Pierre-André Bühler has transferred from the Extended Group Management Board to the Executive Group Management Board. Mr Raynald Aeschlimann (head of international sales of Omega), Jean-Claude Eggen (member of the Management Board of ETA), Hans Rudolf Gottier (head of Microcrystal) and Calogero Polizzi (head of Group IT) were newly appointed to the Extended Group Management Board with effect from 01.01.2013. All of these persons have kept their previous responsibilities.

At the end of February 2013, Mrs A. Emch retired upon reaching retirement age. Mrs A. Emch had already handed over her operational responsibility for the companies looked after by her mid-2012.

### 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 Lascor S.p.A., Tiffany Watch Co. Ltd (as of 03.10.2013 Look and Feel AG), 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 2013, the members of the Board of Directors received a total amount of CHF 5 234 870. The highest amount reached CHF 4 595 399. For details please refer to the table on page 198. The members of the Executive Group Management Board and the Extended Group Management Board received in 2013 an amount of CHF 39 236 755. In this category the CEO has received the highest remuneration of CHF 6 981 081. Details may be seen on the table on page 199.

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 150 300 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 198, footnote 4) and Mr G. N. Hayek (cf. page 199), 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.

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 2013 may be consulted on page 200.

#### 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 2013, no such loans were outstanding (see note 30d on page 197).

#### 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 842 400. 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 2012 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.2	0.3	0.4	4.9
Other Auditing Companies	0.8	0.4	0.4	1.6
<b>Total 2013</b>	<b>5.0</b>	<b>0.7</b>	<b>0.8</b>	<b>6.5</b>
Total 2012	4.6	0.8	1.2	6.6

- 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, 2014    Turnover of 2013
- February 5, 2014    Key figures 2013
- March 20, 2014    Press conference and annual report
- May 14, 2014    General Meeting of Shareholders
- August 7, 2014    Half-year figures 2014

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., Seedorstadt 6, CH-2501 Biel) or by fax to +41 32 343 69 11 or by telephone on +41 32 343 68 11.



# **FINANCIAL STATEMENTS 2013**

CONSOLIDATED  
FINANCIAL  
STATEMENTS

FINANCIAL  
STATEMENTS  
OF THE HOLDING



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# Financial review

## Key financial developments in 2013

- **Gross sales:** Gross sales increase to CHF 8 817 million, a plus of 8.3% despite negative exchange rates.

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- **Net sales:** Net sales rise 8.5% to CHF 8 456 million.

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- **Operating profit:** Operating profit increases 17.0% to CHF 2 314 million. Operating margin of 27.4% (previous year 25.4%), of which the effect of the legal case success against Tiffany & Co. USA, after depreciation and impairment, accounts for about 3 margin points.

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- **Net income:** Net income rises 20.2% to CHF 1 928 million, a net return on sales of 22.8%.

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- **Headcount:** Headcount rises by 3 800, of which 900 in Switzerland, to 33 600 worldwide.

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- **Equity:** Equity of more than CHF 9.5 billion, equivalent to an equity ratio of 82.3%.

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- **Dividend:** Proposed dividend increase of +11.1%, per bearer share CHF 7.50 (previous year CHF 6.75) and per registered share CHF 1.50 (previous year CHF 1.35).

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- **Outlook:** Auspicious start to 2014 in all segments.

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## Financial review

### 1. Key figures Group

(CHF million)	2013	2012	Change in %		Total
			at constant rates	currency effect	
<b>Gross sales</b>	<b>8 817</b>	8 143	+ 9.1%	– 0.8%	+ 8.3%
<b>Net sales</b>	<b>8 456</b>	7 796			+ 8.5%
<b>Operating profit</b>	<b>2 314</b>	1 978			+ 17.0%
– in % of net sales	<b>27.4%</b>	25.4%			
<b>Net income</b>	<b>1 928</b>	1 604			+ 20.2%
– in % of net sales	<b>22.8%</b>	20.6%			
<b>Equity</b>	<b>9 574</b>	8 573			+ 11.7%
– as % of total assets	<b>82.3%</b>	82.2%			

## Financial review

### 2. Environment / Financial year

#### Development operating results

(CHF million)	2013			2012 <sup>1)</sup>		
	Third	Group	Total	Third	Group	Total
<b>Gross sales</b>						
Watches & Jewelry <sup>2)</sup>	8 531	1	8 532	7 854	3	7 857
Electronic Systems	279	20	299	281	30	311
Corporate and elimination <sup>2)</sup>	7	-21	-14	8	-33	-25
<b>Total</b>	<b>8 817</b>	<b>-</b>	<b>8 817</b>	<b>8 143</b>	<b>-</b>	<b>8 143</b>
<b>Net sales</b>						
Watches & Jewelry <sup>2)</sup>	8 172	1	8 173	7 510	3	7 513
Electronic Systems	277	20	297	278	30	308
Corporate and elimination <sup>2)</sup>	7	-21	-14	8	-33	-25
<b>Total</b>	<b>8 456</b>	<b>-</b>	<b>8 456</b>	<b>7 796</b>	<b>-</b>	<b>7 796</b>
<b>Operating profit</b>						
		<b>2013</b>	<b>% of sales</b>		<b>2012</b>	<b>% of sales</b>
Watches & Jewelry <sup>2)</sup>		2 424	29.7%		2 069	27.5%
Electronic Systems		-12	-4.0%		1	0.3%
Corporate and elimination <sup>2)</sup>		-98			-92	
<b>Total</b>		<b>2 314</b>	<b>27.4%</b>		<b>1 978</b>	<b>25.4%</b>

<sup>1)</sup> All prior year figures in the financial review have been restated due to change from IFRS to Swiss GAAP FER.

<sup>2)</sup> Restated prior year figures due to modified segment information.

With its 20 brands, the worldwide leader in the watch sector grew by a further 8.3%, generating record sales of CHF 8 817 million in 2013, despite the extremely adverse currency situation. Group net sales even rose 8.5% to CHF 8 456 million. The major growth factors were the strong brands and the extensive distribution and retail network. The ongoing over-valuation of the Swiss franc, particularly against the USD and JPY, negatively impacted Group results versus 2012. In the second half of the year, the negative effect on sales due to exchange rates was over CHF 100 million.

Operating profit increased 17.0% to CHF 2 314 million in 2013, corresponding to an operating margin of 27.4%. The effect on operating margin related to the over CHF 400 million compensation from the legal case success against Tiffany & Co. USA, after depreciation of inventory and impairment of other assets, accounts for approximately three margin points. Overall, net income was CHF 1 928 million, which corresponds to a 22.8% net return on sales.

Watches & Jewelry generated a sales growth of over 10%. Including production, gross sales in the aforementioned segment increased 8.6% to CHF 8 532 million and net sales 8.8% to CHF 8 173 million. In comparison, exports of wrist watches by the entire Swiss Watch Industry increased 2.0% to the end of December 2013. This indicates a significant increase in market share by the Swatch Group.

The Harry Winston brand was taken over early in the year and, together with its global workforce of 535 at the time and its Geneva production company, was integrated into the Group. At the end of November, the Swatch Group also took control of Rivoli Investment LLC, a corporation with a distribution network of more than 360 retail stores in the Middle East.

Specific investment enabled production capacities to be expanded further and put into operation. Furthermore, the new watch-dial plant in Grenchen, the component plant in Villeret and component production facilities in Boncourt started operations early in the year, once again confirming the Group's commitment to the Swiss manufacturing location and a further strengthening of "Swiss Made". More than 900 jobs for the Group were created in Switzerland alone.

The electronic systems segment was exposed to the weak USD and JPY for the entire reporting year, closing with overall gross sales of CHF 299 million, a 3.9% decrease versus the previous year. The segment's operating result shows a loss of CHF 12 million, although this was lower in the second half of the year than in the first.

## Financial review

### Development net income

(CHF million)	2013	2012
Interest income	28	10
Result from marketable securities at fair value and derivatives	29	27
Net currency result	-27	-17
Other financial expense	-5	-4
Interest expense	-2	-3
Share of result from associates and joint ventures	13	18
<b>Net financial result</b>	<b>36</b>	<b>31</b>

(CHF million)	2013	2012
<b>Net income</b>	<b>1 928</b>	<b>1 604</b>
- in % of net sales	<b>22.8%</b>	20.6%
- Change from previous year in %	<b>20.2%</b>	25.7%

### Basic earnings per share (in CHF) -

expressed in CHF per share:

- Registered shares	<b>7.08</b>	5.91
- Bearer shares	<b>35.41</b>	29.57

Thanks to a stabilization in the financial markets in 2013, the result from marketable securities was a gain of CHF 29 million (compared to a gain of CHF 27 million in 2012). On the other hand, the very volatile foreign currency situation led to net currency losses of CHF 27 million (2012: CHF 17 million). The share of results from associates amounted to CHF 13 million (2012: CHF 18 million). Overall, the net financial result for the year 2013 was a gain of CHF 36 million (2012: gain of CHF 31). Depending on developments in the financial markets and foreign currencies, the financial result will continue to be volatile in the future and influence the Group's net income.

An analysis of the income tax charge is set out in Note 6 to the consolidated financial statements. In relation to the profit before taxes, the income tax charge amounted to 18.2% in the reporting year, compared to 20.3% in the previous year.

Overall, net income was CHF 1 928 million, which corresponds to a 22.8% net return on sales.

Basic earnings per share increased in the current year by approximately 20% to CHF 7.08 (2012: CHF 5.91) for registered shares and CHF 35.41 (2012: CHF 29.57) for bearer shares, respectively. The strong increase in net income is accompanied by a slightly increased average number of shares outstanding. As in previous years, dilution of earnings is not material. Detailed information can be found in Note 7.

At the General Meeting on 14 May 2014, a dividend for the financial year 2013 of CHF 1.50 (2012: CHF 1.35) for registered shares and of CHF 7.50 (2012: CHF 6.75) for bearer shares will be proposed. This dividend, totalling CHF 417 million, with an expected cash-out impact in 2014 of CHF 414 million, is not recognized as a liability in the consolidated financial statements at 31 December 2013.

## Financial review

### Development balance sheet structure

(CHF million)	2013	2012
<b>Total current assets</b>	<b>8 673</b>	7 827
<b>Total current liabilities</b>	<b>1 338</b>	1 204
<b>Equity</b>	<b>9 574</b>	8 573
– as % of total assets	<b>82.3%</b>	82.2%
<b>Average return on equity (ROE)</b>	<b>21.2%</b>	19.7%

Current liabilities are covered by current assets by a factor of 6.5. This factor shows that the consolidated balance sheet is very solid.

By the end of December 2013, equity reached a new high of CHF 9 574 million, equivalent to an equity ratio of 82.3%. In particular, it should be noted that Swatch Group, in accordance with Swiss GAAP FER, removed all goodwill from its assets and deducted it from its equity. Any potential future impairment risk on goodwill has therefore been removed from the balance sheet. The Group has an extremely solid financial and equity base.

### Development liquidity

(CHF million)	2013	2012
<b>Cash and cash equivalents at 1.1.</b>	<b>1 520</b>	1 616
<b>Cash flow from operating activities</b>	<b>1 309</b>	999
<b>Cash flow from investing activities</b>	<b>– 1 309</b>	– 836
<b>Cash flow from financing activities (incl. foreign exchange rate differences on cash)</b>	<b>– 612</b>	– 259
<b>Cash and cash equivalents at 31.12.</b>	<b>908</b>	1 520

In 2013, the Group realized an operating cash flow of CHF 1 309 million, which corresponds to an increase of 31% compared to the prior year (2012: CHF 999 million).

Net investing activities were higher than in 2012, mainly due to the takeovers of Harry Winston and Rivoli and annual investment of CHF 706 million in machinery, installations, production infrastructure and retail stores.

The dividend and the repayment of financial debts in relation to the takeover of Harry Winston in spring 2013 were the main cash flows from financing activities.

Overall, the Group's cash position decreased in 2013 by CHF 612 million to CHF 908 million at year-end.

## Financial review

### 3. Outlook

All brands had an auspicious start. In the first month of the year, sales of both watches and jewelry were very good. After four years of strong and dynamic growth by Swatch Group, as well as the entire Swiss watch industry, continued healthy growth is expected in 2014.

Thanks to its 20 strong brands and their attractive products, further expansion of the distribution and retail network, the investment made in almost all production areas as well as an extremely healthy equity and financial situation, the Swatch Group is in an excellent position for both the future and for long-term growth.





## Consolidated income statement

	Notes	2013		2012	
		CHF million	%	CHF million	%
Gross sales		8 817	104.3	8 143	104.5
Sales reductions		- 361	- 4.3	- 347	- 4.5
<b>Net sales</b>	(4, 5a)	<b>8 456</b>	<b>100.0</b>	7 796	100.0
Other operating income	(5b)	518	6.1	238	3.1
Changes in inventories		586	6.9	722	9.3
Material purchases		- 2 456	- 29.0	- 2 356	- 30.2
Personnel expense	(5c)	- 2 144	- 25.3	- 1 988	- 25.5
Depreciation on tangible assets	(15)	- 276	- 3.3	- 239	- 3.1
Amortization on intangible assets	(16)	- 28	- 0.3	- 22	- 0.3
Other operating expenses	(5d)	- 2 342	- 27.7	- 2 173	- 27.9
<b>Operating profit</b>		<b>2 314</b>	<b>27.4</b>	1 978	25.4
Other financial income and expense	(5f)	25	0.3	16	0.2
Interest expense	(5f)	- 2	- 0.0	- 3	- 0.0
Share of result from associates and joint ventures	(5f, 17)	13	0.1	18	0.2
<b>Ordinary result</b>		<b>2 350</b>	<b>27.8</b>	2 009	25.8
Non-operating result	(5g)	6	0.1	2	0.0
Extraordinary result		0	0.0	0	0.0
<b>Profit before taxes</b>		<b>2 356</b>	<b>27.9</b>	2 011	25.8
Income taxes	(6a)	- 428	- 5.1	- 407	- 5.2
<b>Net income</b>		<b>1 928</b>	<b>22.8</b>	1 604	20.6
Attributable to equity holders of The Swatch Group Ltd		1 921		1 596	
Attributable to non-controlling interests		7		8	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>	(7)				
<b>Registered shares</b>					
Basic earnings per share		7.08		5.91	
Diluted earnings per share		7.08		5.91	
<b>Bearer shares</b>					
Basic earnings per share		35.41		29.57	
Diluted earnings per share		35.38		29.54	

As of the beginning of 2013 the presentation of the consolidated financial statements is in accordance with Swiss GAAP FER. The prior period has been restated due to the comparability of the presentation of the current period.

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

## Consolidated balance sheet

Assets	Notes	31.12.2013		31.12.2012	
		CHF million	%	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents	(9)	908	7.8	1 520	14.6
Marketable securities and derivative financial instruments	(10)	325	2.8	447	4.3
Trade receivables	(11)	1 073	9.2	1 060	10.2
Other current assets	(12)	256	2.2	161	1.5
Inventories	(13)	5 426	46.6	4 407	42.2
Prepayments and accrued income	(14)	685	5.9	232	2.2
<b>Total current assets</b>		<b>8 673</b>	<b>74.5</b>	<b>7 827</b>	<b>75.0</b>
<b>Non-current assets</b>					
Property, plant and equipment	(15)	2 272	19.5	1 922	18.4
Intangible assets	(16)	136	1.2	116	1.1
Investments in associates and joint ventures	(17)	65	0.6	110	1.1
Other non-current assets	(19)	156	1.3	177	1.7
Deferred tax assets	(6d)	337	2.9	278	2.7
<b>Total non-current assets</b>		<b>2 966</b>	<b>25.5</b>	<b>2 603</b>	<b>25.0</b>
<b>Total assets</b>		<b>11 639</b>	<b>100.0</b>	<b>10 430</b>	<b>100.0</b>

As of the beginning of 2013 the presentation of the consolidated financial statements is in accordance with Swiss GAAP FER. The prior period has been restated due to the comparability of the presentation of the current period.

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

## Consolidated balance sheet

Equity and liabilities	Notes	31.12.2013		31.12.2012	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(20)	15	0.1	75	0.7
Trade payables		383	3.3	320	3.1
Other liabilities	(21)	164	1.4	179	1.7
Provisions	(23)	74	0.6	65	0.6
Accrued expenses	(22)	702	6.1	565	5.4
<b>Total current liabilities</b>		<b>1 338</b>	<b>11.5</b>	1 204	11.5
<b>Non-current liabilities</b>					
Financial debts	(20)	44	0.4	60	0.6
Deferred tax liabilities	(6d)	576	4.9	501	4.8
Retirement benefit obligations	(24)	33	0.3	23	0.2
Provisions	(23)	45	0.4	40	0.4
Accrued expenses	(22)	29	0.2	29	0.3
<b>Total non-current liabilities</b>		<b>727</b>	<b>6.2</b>	653	6.3
<b>Total liabilities</b>		<b>2 065</b>	<b>17.7</b>	1 857	17.8
<b>Equity</b>					
Share capital	(26a)	125		125	
Capital reserves	(26b)	- 1 062		- 1 128	
Treasury shares	(26c)	- 268		- 343	
Translation differences		- 115		- 41	
Retained earnings		10 828		9 941	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>9 508</b>	<b>81.7</b>	8 554	82.0
Non-controlling interests		66	0.6	19	0.2
<b>Total equity</b>		<b>9 574</b>	<b>82.3</b>	8 573	82.2
<b>Total equity and liabilities</b>		<b>11 639</b>	<b>100.0</b>	10 430	100.0

As of the beginning 2013 the presentation of the consolidated financial statements is in accordance with Swiss GAAP FER. The prior period has been restated due to the comparability of the presentation of the current period.

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

## Consolidated statement of cash flows

	Notes	2013 CHF million	2012 CHF million
<b>Operating activities</b>			
Net income		1 928	1 604
Reversal of non-cash items	(28a)	712	642
Changes in working capital and other items included in operating cash flow	(28b)	- 965	- 956
Dividends received from associated companies	(17)	21	17
Interest received		9	11
Interest paid		- 4	- 3
Income tax paid	(6c)	- 392	- 316
<b>Cash flow from operating activities</b>		<b>1 309</b>	<b>999</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	(15)	- 574	- 438
Proceeds from sale of property, plant and equipment		19	6
Investments in intangible assets	(16)	- 48	- 39
Proceeds from sale of intangible assets		-	1
Investments in other non-current assets	(19)	- 84	- 18
Proceeds from sale of other non-current assets		10	9
Acquisition of subsidiaries – net of cash	(18)	- 759	- 336
Investments in associated companies and joint ventures	(17)	- 14	- 140
Divestments of associated companies and joint ventures		0	-
Purchase of marketable securities		- 207	- 181
Sale of marketable securities		348	300
<b>Cash flow from investing activities</b>		<b>- 1 309</b>	<b>- 836</b>
<b>Financing activities</b>			
Dividends paid to shareholders	(8)	- 366	- 310
Dividends paid to non-controlling interests		- 5	- 6
Purchase of treasury shares	(26b)	- 2	- 2
Sale of treasury shares		123	8
Change in non-current financial debts		- 260	- 6
Change in current financial debts		- 88	61
<b>Cash flow from financing activities</b>		<b>- 598</b>	<b>- 255</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>- 14</b>	<b>- 4</b>
<b>Change in cash and cash equivalents</b>		<b>- 612</b>	<b>- 96</b>
<b>Change in cash and cash equivalents</b>			
– At beginning of year		1 520	1 616
– At end of year	(9)	908	1 520

As of the beginning 2013 the presentation of the consolidated financial statements is in accordance with Swiss GAAP FER. The prior period has been restated due to the comparability of the presentation of the current period.

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-con- trolling interests	Total equity
	Share capital (Note 26)	Capital reserves (Note 26)	Treasury shares (Note 26)	Translation differences	Retained earnings			
<b>Balance at 31.12.2011 (as reported, according to IFRS)</b>	<b>125</b>	<b>0</b>	<b>-347</b>	<b>-280</b>	<b>8 556</b>	<b>8 054</b>	<b>17</b>	<b>8 071</b>
Reconciliation from IFRS to Swiss GAAP FER (Note 2e)		- 1 146		280	478	- 388	0	- 388
<b>Balance at 31.12.2011 (restated, according to Swiss GAAP FER)</b>	<b>125</b>	<b>- 1 146</b>	<b>- 347</b>	<b>0</b>	<b>9 034</b>	<b>7 666</b>	<b>17</b>	<b>7 683</b>
Net income (Note 2e)					1 596	<b>1 596</b>	8	<b>1 604</b>
Currency translation of foreign entities				- 41		- 41		- 41
Compensation of goodwill Group companies (Note 18)					- 268	- 268		- 268
Compensation of goodwill associated companies and joint ventures (Note 17)					- 111	- 111		- 111
Dividends paid					- 310	- 310	- 6	- 316
Share-based compensation (Note 29):								
– Value of employee services (net of tax)		16				16		16
– Proceeds from sale of shares		1				1		1
Sale of treasury shares		1	6			7		7
Repurchase of treasury shares			- 2			- 2		- 2
<b>Balance at 31.12.2012 (according to Swiss GAAP FER)</b>	<b>125</b>	<b>- 1 128</b>	<b>- 343</b>	<b>- 41</b>	<b>9 941</b>	<b>8 554</b>	<b>19</b>	<b>8 573</b>
Net income					1 921	<b>1 921</b>	7	<b>1 928</b>
Currency translation of foreign entities				- 74		- 74	- 1	- 75
Compensation of goodwill Group companies (Note 18)					- 668	- 668		- 668
Minority interests from business combinations (Note 18)							46	46
Dividends paid					- 366	- 366	- 5	- 371
Share-based compensation (Note 29):								
– Value of employee services (net of tax)		20				20		20
– Proceeds from sale of shares		1				1		1
Sale of treasury shares		45	77			122		122
Repurchase of treasury shares			- 2			- 2		- 2
<b>Balance at 31.12.2013 (according to Swiss GAAP FER)</b>	<b>125</b>	<b>- 1 062</b>	<b>- 268</b>	<b>- 115</b>	<b>10 828</b>	<b>9 508</b>	<b>66</b>	<b>9 574</b>

As of the beginning 2013 the presentation of the consolidated financial statements is in accordance with Swiss GAAP FER. The prior period has been restated due to the comparability of the presentation of the current period.

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 20 brands in all market and price segments. In addition, it holds an outstanding industrial position with a high degree of vertical integration in the sector of watch movements and components as well as in the electronic systems sector.

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 ISIN numbers CH0012255144 (registered shares) and CH0012255151 (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 20 February 2014 and will be submitted to the Annual General Meeting of Shareholders for approval on 14 May 2014.

## 2. Summary of significant accounting policies

### a. Basis of preparation

These financial statements provide a true and fair view of the Swatch Group's assets, financial position and earnings, and have been drawn up in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. In these financial statements, the Group has adopted early implementation of the FER 31 standard for listed public companies, published in January 2013 (applicable by 1 January 2015). The financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and on the going concern principle. The statements are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts have been rounded to the next million.

### b. Consolidation policies

The Group companies include all companies that are directly or indirectly controlled by The Swatch Group AG. In this respect, control is defined as the power to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights on share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Within the scope of acquisitions, potentially existing but until now not capitalized intangible assets such as brands, usage rights and client lists are not recognized separately, but instead remain part of goodwill. Goodwill may also arise from investments in associated companies and is defined as the difference between the acquisition costs of the investment and its proportional revalued net assets. The goodwill resulting from acquisitions is recognized directly in Group equity. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the acquired goodwill would have (see Note 27).

In the event that shares of Group or associated companies are sold, the difference between the proceeds from the sale and the proportional book value, including historical goodwill, is recognized as a gain or loss in the income statement.

Non-controlling interests in equity and in net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated in full.

Associates are all companies on which the Group exerts significant influence, but does not control. This is generally evidenced when the Group holds voting rights of 20% to 50% of a company. Representation on the board of directors or access to the current financial information of a company are also indicators of significant influence. Investments in associated companies are accounted for using the equity method and are initially recognized at cost. Unrealized gains and losses from transactions with associated companies are eliminated to the extent of the Group's participation in the associated company. The accounting policies of associated companies are adjusted where necessary in order to ensure consistency with the policies observed by the Group. Participations in joint ventures are also reported using the equity method.

## Notes to the consolidated financial statements

- c. Scope of consolidation** Over the course of the year, 28 companies have been bought, three companies merged and one new company founded. As a result, the Group's consolidation structure at the end of 2013 comprised 185 legal entities (prior year: 159), including two joint ventures (one in 2012) and six associated companies (prior year: seven). Note 33 contains a full list of the Group companies. The companies added from business combinations are referred to in Note 18 Business combinations.
- d. Accounting estimates and judgments** The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain accounting estimates and judgments. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under the given circumstances. Real 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.
- e. Changes in accounting policies** As already announced in the consolidated financial statements for 2012, the Board of Directors of the Swatch Group decided to change from IFRS to Swiss GAAP FER with effect from 1 January 2013. Swiss GAAP FER are recognized, comprehensible and comprehensive accounting standards ensuring the continued publication of high-quality and transparent financial reports. The differences in valuation and a reconciliation at the level of equity and net income are set out below. The related adjustments were made retrospectively to 1 January 2012.

### Swiss GAAP FER restatement

The accounting principles under Swiss GAAP FER, which have been applied for the preparation and presentation of the financial statements for 2013, differ in the following respects from those applied for the consolidated financial statements for 2012 under IFRS:

- Goodwill from acquisitions is, in accordance with the option available under FER 30 on "Consolidated Financial Statements", recognized directly in equity at the time of purchase. Under IFRS, goodwill was capitalized and not amortized but tested annually for impairment. Separable intangible assets were capitalized under IFRS and amortized over their estimated economic useful lives. Under Swiss GAAP FER, any intangible assets not capitalized at acquisition are not separated and capitalized, but instead remain part of goodwill.
- Goodwill included in the acquisition costs of associated companies and joint ventures is determined separately and now also recognized directly in equity. Under IFRS, such goodwill formed part of the equity value of the associated companies and joint ventures.
- Swiss GAAP FER 16 "Pension benefit obligations" specifies that the actual economic effects (liability or benefit) for the Group are based on the figures of the Swiss Pension Fund, prepared in accordance with FER 26 "Financial reporting of pension funds". On this basis it is assessed whether an economic liability or an economic benefit exists. In the same way, it is assessed on an annual basis whether an economic liability or an economic benefit exists in respect of foreign pension plans, using recognized country-specific methods. IFRS specifies that pension plans with defined benefits are to be valued using the projected unit credit method and recognized in accordance with IAS 19.
- Key money paid for strategically located retail stores is now subject to straight-line amortization over a maximum of 20 years if its value is demonstrated by the presence of a market and if it is recognized as an intangible asset. This approach reflects the prudence principle stipulated by the Swiss GAAP FER framework. Previously, key money was written down to its expected residual value.
- The changes to valuation and accounting listed above have effects on the deferred taxes in the balance sheet and in the income statement.
- The historical cumulative translation differences of CHF 280 million resulting from foreign entities was offset against the retained earnings as part of the restatement on 1 January 2012. The capital reserves, which are negative due to the various reductions in capital in recent years, were reclassified from retained earnings on 1 January 2012.

## Notes to the consolidated financial statements

The changes to accounting principles according to Swiss GAAP FER were applied retrospectively from 1 January 2012. In the interests of comparability with the presentation of the current period, the previous period was restated. The tables below show the effect in figures of the changeover from IFRS to Swiss GAAP FER on equity and the net income:

(CHF million)	01.01.2013	01.01.2012
<b>Equity according to IFRS</b>	<b>9 344</b>	8 071
Reconciliation to Swiss GAAP FER:		
Compensation of goodwill from acquisitions	– 480	– 212
Compensation of goodwill from associates	– 221	– 110
Pension liabilities Switzerland	– 69	– 69
Pension liabilities foreign countries	– 2	– 2
Key money	– 14	– 14
Deferred taxes	19	19
Net income	– 4	-
<b>Total adjustments to equity</b>	<b>– 771</b>	– 388
<b>Equity according to Swiss GAAP FER</b>	<b>8 573</b>	7 683

(CHF million)	2012
<b>Net income according to IFRS</b>	<b>1 608</b>
Reconciliation to Swiss GAAP FER:	
Amortization of intangibles from acquisitions	2
Adjustment personnel expense (pension plans)	– 6
Amortization of key money	– 2
Deferred tax expense	2
<b>Total adjustments to net income</b>	<b>– 4</b>
<b>Net income according to Swiss GAAP FER</b>	<b>1 604</b>

### Modification of segment reporting

In 2013, the Swatch Group redefined and modified its segment reporting, combining the “Watches & Jewelry” and “Production” segments into a new “Watches & Jewelry” segment, since due to the increasing integration of a variety of production processes in the brand headquarters, a clear demarcation of production is no longer given. This trend was accelerated in early 2013 by the acquisition of Harry Winston. In addition, sales to own brands by the Production segment have significantly increased over recent years. Furthermore, this modification will facilitate comparison with benchmark companies, who treat watches and jewelry as a single segment. Segment reports have been adjusted retrospectively in these consolidated financial statements. Segment reporting can be found in Note 4.



## Notes to the consolidated financial statements

### f. Foreign currency translation

#### Translation in the financial statements of the Group companies

The financial statements of individual Group companies are measured in the currency of the economic environment in which these companies predominantly operate (functional currency). Transactions in foreign currencies are converted to the functional currency at the prevailing exchange rate on the transaction date. Balance sheet items in foreign currency are converted using the year-end exchange rate. Any resulting gains and losses are recorded in the income statement. Foreign exchange gains or losses from the conversion of intercompany loans of an equity nature are recognized in equity without affecting the income statement. Exchange differences resulting from the conversion of investments in associated companies are also reported in equity. There are no investments in hyperinflationary countries.

#### Translation of individual financial statements to be consolidated

The financial statements of the Swatch Group are presented in the reporting currency of Swiss francs (CHF). The financial statements of the individual companies to be consolidated are translated into Group currency at the effective date with the current rate method. This currency translation is carried out for the assets and liabilities at the year-end exchange rates, for equity at historical exchange rates, and for the income statement and statement of cash flows at average annual exchange rates. Any translation differences are recognized in equity without affecting the income statement.

In the event that a foreign entity is sold, the cumulative translation differences recognized in equity, which are a result of the translation of the financial statements and intercompany loans, are reversed from the accounts and reported in the income statement as part of the gain or loss on the sale.

The main exchange rates used are:

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2013	31.12.2013	2012	31.12.2012
		CHF	CHF	CHF	CHF
CNY	1	0.1510	0.1475	0.1486	0.1471
EUR	1	1.2317	1.2280	1.2052	1.2075
HKD	1	0.1196	0.1152	0.1208	0.1183
JPY	100	0.9499	0.8500	1.1735	1.0650
USD	1	0.9277	0.8930	0.9369	0.9165

### g. Sales and revenue recognition

The Group records the gross amounts of invoices for sales of goods and services, excluding VAT, as gross sales. All differences between the gross amounts invoiced and the agreed net price, such as rebates and price reductions, are recorded as sales reductions. Net sales comprise the fair value of the sale of goods and services, and therefore represent revenue.

All intercompany sales are eliminated upon consolidation.

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectibility of the related receivables is reasonably secured. 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.

### h. 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. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less short-term bank overdrafts (Fund "Net Cash").

## Notes to the consolidated financial statements

- i. Marketable securities** Purchases and sales of securities are recognized in accordance with the settlement date principle. The securities are initially measured at cost, and the transaction costs are charged to the income statement. Subsequently, the listed securities are recorded in the balance sheet at market value on the balance sheet date. Private equity investments are adjusted to the current net asset value on the balance sheet date. All realized and unrealized gains and losses resulting from variations in market values and foreign currencies are recorded in the income statement.
- j. Trade receivables** Trade receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. 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.
- k. Inventories** Inventories are valued at the lower of cost or net realizable value. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition. Acquisition costs are determined according to the weighted average method. Some production companies value their inventories using the standard cost method. As these costs are regularly reviewed and updated, this method approximates the result of the weighted average method. Inventories with unsatisfactory inventory turnover are revalued accordingly.
- l. Property, plant and equipment** Property, plant and equipment (including investment property) are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

– Land	no depreciation
– Investment properties	50 years
– Administrative buildings	40 years
– Production plants and workshop buildings	30 years
– Machines and technical equipment, workshop equipment	9 to 15 years
– Measuring instruments, tools, processing equipment, automation components	5 to 9 years
– Furniture, office machinery, motor vehicles	5 to 8 years
– IT equipment	3 to 5 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary. Investment property mainly comprises residential buildings rented to third parties. The position Plant and equipment under construction includes buildings under construction and non-refundable down payments on land and buildings. The Group does not capitalize any interest expenses incurred during the construction period.

## Notes to the consolidated financial statements

### m. Intangible assets

#### Goodwill

The difference between the acquisition costs and the actual value of the net identifiable assets of the acquired company at the time of the purchase represents goodwill from business combinations. The goodwill resulting from acquisitions is recognized in Group equity at the time of the acquisition. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the goodwill would have (see Note 27).

Goodwill may also arise from investments in associated companies, calculated as the difference between the acquisition costs of the investment and its proportional revalued net assets.

#### Capitalized development costs

Research costs are expensed when incurred. Development costs are only capitalized if they can be identified as intangible assets that will generate economic benefits in the future and the costs can be measured reliably. Other development costs are expensed when incurred. Once a product enters commercial production, the capitalized development costs are amortized on a straight-line basis over the estimated useful life (max. five years).

#### Other intangible assets

In addition, the heading intangible assets includes:

- Licences purchased granting rights to use new technologies and software. They are amortized over their useful life (max. five years).
- Internally developed software and software implementation costs. These costs are recognized as intangible assets if it is likely that they will generate future economic benefits. The costs include software development employee costs and the direct portion of related overhead costs. The capitalized costs are amortized on a straight-line basis over the estimated useful life (max. five years).
- Key money for strategically located retail stores. If its value can be demonstrated by the existence of a market, it is capitalized as an intangible asset and amortized on a straight-line basis over the location's useful life of max. 20 years. In contrast, key money that is not refundable or only refundable under specific circumstances is treated as prepaid rent and recorded under Other non-current assets (see Note 19).

### n. Impairment of assets

The recoverable value of non-current assets (including goodwill recognized in equity) is verified on every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use.

If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement. As the goodwill is already recognized in equity at the time at which it was acquired, a goodwill impairment would not result in a charge being recorded in the income statement, but leads to a disclosure in the Notes to the financial statements. In the event that a Group company is sold, any goodwill acquired at an earlier point in time and recognized in equity is taken into consideration when determining the gain or loss in the income statement.

## Notes to the consolidated financial statements

### o. 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 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 receivable, 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 discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision in function of time is recognized as interest expense.

### p. Financial debts

Financial debts are recognized as nominal values. Any transaction costs incurred are posted directly in the income statement. Financial debts are shown on the balance sheet as current liabilities, unless the Group has an unconditional right to postpone the settlement of the debt until at least 12 months after the balance sheet date.

### q. Derivative financial instruments

Derivative financial instruments are recognized at fair value at the trade date; the associated transaction costs are recorded as expenditure in the income statement. The method of recognizing the gain or loss from subsequent revaluations depends on the purpose for the hedging and the underlying transaction.

#### Cash flow hedges

The Group may hedge certain cash flows for projected intragroup transactions. This is documented accordingly upon conclusion of the transaction. In this case, the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement under financial result.

Amounts recognized in equity are recycled in the income statement in the periods when the hedged item affects gain or loss. The gain or loss from the effective portion of the hedging instrument related to flow of goods is recorded in the income statement under material purchases.

When a forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

#### Other derivative financial instruments

Derivative financial instruments not designated as hedging instruments are accounted for at fair value through gain or loss. Changes in the fair value are recognized immediately in the income statement.

### r. 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 directly in equity. In this case, the tax is also recognized directly in equity.

#### 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 at the balance sheet date.

## Notes to the consolidated financial statements

### Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply.

Deferred tax assets are recognized for all deductible temporary differences, carryforward tax losses 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 recognized 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 not intended that the temporary difference will 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.

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

#### Pension obligations

Group companies operate various pension schemes, which conform to the legal regulations and provisions in force in the respective countries. The actual economic effects of pension schemes on the Group are calculated at balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a provision are met. An economic benefit is capitalized provided that this can be used for future Group pension expenses. Freely available employer contribution reserves are capitalized.

Employees of Swiss Group companies are insured as part of the "Swatch Group Pension Fund", which is a separate legal entity and is financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

Pension schemes outside of Switzerland are of comparatively minor importance. Some companies operate fully financed pension funds. These funds are treated in the same way as the Swiss plan in terms of accounting, i.e. paid contributions are basically recorded as expenses. In some countries, there are also pension plans that do not have their own assets, whereby the corresponding benefit provisions are recognized directly in the balance sheet and any changes are recognized in the income statement.

#### 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.

#### Termination benefits

Termination benefits are payable when employment is terminated (in normal employment conditions) in advance of the terms of the contract, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes such benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing 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. The company does not make severance payments.

## Notes to the consolidated financial statements

### t. Share capital and treasury shares

Shares issued by The Swatch Group AG are recognized in 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 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 the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

### u. Dividends

Dividend payments to shareholders are recognized in the Group's financial statements in the period in which the Annual General Meeting of the holding company has given its approval.

### 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 (market value at grant date). 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 block of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. 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 7).

### w. Leases

#### Finance leases

Property, plant and equipment are only leased in exceptional circumstances. A finance lease is where the lessor transfers to the lessee practically all of the risks and rewards associated with the ownership of the leased item. At the beginning of the term of the lease contract, the lower of fair value of the leased item or net present value of the future lease payments is shown in the balance sheet as assets and liabilities. 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 costs are recorded directly in the income statement as expenditure. Capitalized leased assets are depreciated over the lower of estimated economic useful life of the asset or contract period.

#### 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.

# 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 different financial risks, including foreign currency, market, credit and liquidity risks. The Group's financial risk management is essentially focused on identifying and analyzing exchange rate risk, mainly against the US Dollar, the Chinese Renminbi, the Euro and the Japanese Yen, with the aim of minimizing its impact on Group net income. In order to hedge exchange rate risk, the Group may use derivative financial instruments such as forward currency contracts or currency options. Currently no cash flow hedging is used. 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.

#### 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.

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 ratings 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.

#### 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 asset allocation 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.

At the balance sheet date, the available liquidity is summarized as follows:

(CHF million)	31.12.2013	31.12.2012
Cash and cash equivalents	908	1 520
Marketable securities	325	447
<b>Short-term accessible liquidity reserves</b>	<b>1 233</b>	<b>1 967</b>
Committed credit facilities	519	581
./ Utilized credit facilities	- 47	- 129
<b>Total short-term accessible liquidity reserves and undrawn credit facilities</b>	<b>1 705</b>	<b>2 419</b>

### b. Capital management

The primary objective of the Group with regard to capital management is to preserve a strong equity base in order to maintain investor, creditor and market confidence and to sustain future development of the business. As at 31 December 2013, equity represented 82.3% (31 December 2012: 82.2%) 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. 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.

## Notes to the consolidated financial statements

### 4. Segment information

#### a. Operating segment information

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

In 2013, the Group integrated the previous "Production" segment into the "Watches & Jewelry" segment (see explanations under Note 2e). The previous year's figures have been adjusted accordingly.

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

– Watches & Jewelry	Manufacture and sale of watches and jewelry
– Electronic Systems	Design, production and commercialization of electronic components, Sports timing activities

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

Corporate services does not qualify as a segment but is shown separately. It includes the activities of the Group's holding, finance, research and development, real estate and several other companies. Elimination of inter-segment sales, income and expense as well as assets and liabilities is shown in the column "Elimination".

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 under the heading "Corporate".

#### Income statement

2013 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 531	279	7		8 817
– Group	1	20	6	– 27	–
<b>Gross sales</b>	<b>8 532</b>	<b>299</b>	<b>13</b>	<b>– 27</b>	<b>8 817</b>
– Third parties	8 172	277	7		8 456
– Group	1	20	6	– 27	–
<b>Net sales</b>	<b>8 173</b>	<b>297</b>	<b>13</b>	<b>– 27</b>	<b>8 456</b>
<b>Operating profit</b>	<b>2 424</b>	<b>– 12</b>	<b>– 98</b>	<b>–</b>	<b>2 314</b>
– As a % of net sales	29.7	– 4.0			27.4
– As a % of total	104.8	– 0.5	– 4.3		100.0

2012 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	7 854	281	8		8 143
– Group	3	30	5	– 38	–
<b>Gross sales</b>	<b>7 857</b>	<b>311</b>	<b>13</b>	<b>– 38</b>	<b>8 143</b>
– Third parties	7 510	278	8		7 796
– Group	3	30	4	– 37	–
<b>Net sales</b>	<b>7 513</b>	<b>308</b>	<b>12</b>	<b>– 37</b>	<b>7 796</b>
<b>Operating profit</b>	<b>2 069</b>	<b>1</b>	<b>– 92</b>	<b>–</b>	<b>1 978</b>
– As a % of net sales	27.5	0.3			25.4
– As a % of total	104.6	0.1	– 4.7		100.0



## Notes to the consolidated financial statements

### Balance sheet and other information

2013 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	10 239	453	3 768	– 2 886	11 574
– Investments in associated companies and joint ventures	5	–	60	–	65
<b>Total assets</b>	<b>10 244</b>	<b>453</b>	<b>3 828</b>	<b>– 2 886</b>	<b>11 639</b>
<b>Total liabilities</b>	<b>– 3 925</b>	<b>– 118</b>	<b>– 908</b>	<b>2 886</b>	<b>– 2 065</b>
<b>Net assets</b>	<b>6 319</b>	<b>335</b>	<b>2 920</b>	<b>–</b>	<b>9 574</b>

### Other information

Investments in property, plant and equipment	559	8	15	–	582
Investments in intangible assets	44	1	3	–	48
Investments in other non-current assets	84	0	0	–	84
Depreciation on property, plant and equipment	– 238	– 27	– 11	–	– 276
Amortization on intangible assets	– 23	– 2	– 3	–	– 28
Impairment charges	0	0	–	–	0

2012 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	8 541	501	3 312	– 2 034	10 320
– Investments in associated companies and joint ventures	4	–	106	–	110
<b>Total assets</b>	<b>8 545</b>	<b>501</b>	<b>3 418</b>	<b>– 2 034</b>	<b>10 430</b>
<b>Total liabilities</b>	<b>– 2 923</b>	<b>– 100</b>	<b>– 868</b>	<b>2 034</b>	<b>– 1 857</b>
<b>Net assets</b>	<b>5 622</b>	<b>401</b>	<b>2 550</b>	<b>–</b>	<b>8 573</b>

### Other information

Investments in property, plant and equipment	425	12	7	–	444
Investments in intangible assets	33	3	2	–	38
Investments in other non-current assets	18	0	0	–	18
Depreciation on property, plant and equipment	– 200	– 30	– 9	–	– 239
Amortization on intangible assets	– 18	– 2	– 2	–	– 22
Impairment charges	0	–	–	–	0

## Notes to the consolidated financial statements

### b. Information on geographical regions

	2013		2012	
	Net sales	Non-current assets	Net sales	Non-current assets
(CHF million)				
Switzerland	1 064	1 837	1 084	1 579
Other Europe	1 809	254	1 772	191
Total Europe	2 873	2 091	2 856	1 770
Greater China	3 208	215	2 869	281
Other Asia	1 527	222	1 297	208
Total Asia	4 735	437	4 166	489
Total America	709	92	643	57
Total Oceania	81	3	80	3
Total Africa	58	1	51	1
<b>Total</b>	<b>8 456</b>	<b>2 624</b>	<b>7 796</b>	<b>2 320</b>

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.

## Notes to the consolidated financial statements

### 5. Revenues and expenses

<b>a. Analysis of sales revenue</b>	(CHF million)	<b>2013</b>	2012
	Sale of goods	<b>8 424</b>	7 774
	Rendering of services	<b>32</b>	22
	<b>Total net sales</b>	<b>8 456</b>	7 796

**b. Other operating income** In 2013, other operating income amounted to CHF 518 million (2012: CHF 238 million). In 2013, this position included the compensation from the successful outcome of the legal case against Tiffany & Co. USA. In 2012, income stemmed mainly from timekeeping services rendered for the Olympic Games.

<b>c. Personnel expense</b>	(CHF million)	<b>2013</b>	2012
	Wages and salaries	<b>1 747</b>	1 618
	Social security costs	<b>292</b>	265
	Share-based compensation (Note 29)	<b>19</b>	16
	Pension costs (Note 24)	<b>86</b>	89
	<b>Total personnel expense</b>	<b>2 144</b>	1 988

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

(Unaudited)	<b>2013</b>	2012
<b>Average annual headcount</b>	<b>31 114</b>	28 942
<b>Total headcount at 31 December</b>	<b>33 590</b>	29 788
Men	<b>15 986</b>	13 437
Women	<b>17 604</b>	16 351
Swiss contracts	<b>16 704</b>	15 800
Non-Swiss contracts	<b>16 886</b>	13 988

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>2013</b>	2012
	Marketing, sales and administration	<b>1 261</b>	1 097
	Subcontracting and other direct costs of sales	<b>313</b>	295
	Maintenance, rents and energy	<b>703</b>	604
	Other operating expenses	<b>65</b>	177
	<b>Total other operating expenses</b>	<b>2 342</b>	2 173

**e. Research and development costs** Research and development (R&D) costs amounted to CHF 184 million in 2013, representing 2.2% of net sales (compared with CHF 178 million or 2.3% in 2012).

<b>f. Net financial result</b>	(CHF million)	<b>2013</b>	2012
	Interest income	<b>28</b>	10
	Result from marketable securities at fair value and derivatives	<b>29</b>	27
	Net currency result	<b>-27</b>	-17
	Other financial expense	<b>-5</b>	-4
	<b>Other financial income and expense</b>	<b>25</b>	16
	<b>Interest expense</b>	<b>-2</b>	-3
	<b>Share of result from associates and joint ventures</b>	<b>13</b>	18
	<b>Net financial result</b>	<b>36</b>	31

**g. Non-operating result** Only net income from investment property is included in the non-operating result position.

## Notes to the consolidated financial statements

### 6. Income taxes

#### a. Income tax expenses

(CHF million)	2013	2012
Current income taxes	403	372
Adjustments recognized for current income taxes of prior periods	10	-4
Deferred taxes	15	39
<b>Total income taxes</b>	<b>428</b>	<b>407</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.

	2013	2012
	%	%
Group's average expected tax rate	17.3	20.6
Tax effect of:		
- Change in the applicable tax rate on temporary differences	-0.2	-0.2
- Recognition of unused tax losses from prior years	-0.6	-0.3
- Utilization of previously unrecognized tax losses	-0.3	-0.1
- Unrecognized current year tax losses	1.0	0.4
- Non-taxable income	-0.1	-0.1
- Non-tax-deductible expenses	0.6	0.2
- Items taxable at reduced rates	-0.3	-0.5
- Adjustments recognized for current taxes of prior periods	0.4	-0.2
- Other items	0.4	0.5
<b>Group's effective tax rate</b>	<b>18.2</b>	<b>20.3</b>

The tax rate based on the ordinary result in the year under review was 18.2% (prior year: 20.3%).

#### c. Current income tax

(CHF million)	2013	2012
<b>Net current income tax liability</b>		
<b>Balance at 1 January</b>	<b>-150</b>	<b>-98</b>
Recognized in income statement	-413	-368
Recognized in equity	-	-
Income taxes paid	392	316
Translation differences	0	0
<b>Balance at 31 December</b>	<b>-171</b>	<b>-150</b>
thereof current income tax assets	19	17
thereof current income tax liabilities	-190	-167

#### 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 taxation authority.

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

(CHF million)	31.12.2013			31.12.2012		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	281	-427	-146	230	-342	-112
Trade and other receivables	4	-17	-13	5	-22	-17
Property, plant and equipment	17	-113	-96	11	-106	-95
Intangible assets	8	-8	0	7	-6	1
Provisions	10	-43	-33	10	-44	-34
Retirement benefit obligations	5	0	5	4	-1	3
Tax losses	57	-	57	19	-	19
Other	47	-60	-13	42	-30	12
<b>Total deferred tax assets (liabilities)</b>	<b>429</b>	<b>-668</b>	<b>-239</b>	<b>328</b>	<b>-551</b>	<b>-223</b>
Deferred tax assets on the balance sheet			337			278
Deferred tax liabilities on the balance sheet			-576			-501

## Notes to the consolidated financial statements

Deferred tax assets resulting from deductible temporary differences, tax credits or carryforward tax losses are recognized only to the extent that realization of the related tax benefit is probable.

The gross value of unused carryforward tax losses which have, or have not, been recognized as deferred tax assets, with their expiry dates is as follows:

(CHF million)	Not recognized	Recognized	Total 2013
One year	2	3	5
Two years	6	3	9
Three years	5	12	17
Four years	4	12	16
Five years	12	7	19
Six years	16	1	17
More than six years	195	154	349
<b>Total at 31.12.2013</b>	<b>240</b>	<b>192</b>	<b>432</b>

(CHF million)	Not recognized	Recognized	Total 2012
One year	12	3	15
Two years	13	9	22
Three years	16	4	20
Four years	17	8	25
Five years	19	8	27
Six years	13	9	22
More than six years	110	36	146
Total at 31.12.2012	200	77	277

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 65 million in the year under review (previous year: CHF 54 million).

## Notes to the consolidated financial statements

### 7. Earnings per share

#### a. Basic

	2013	2012
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	1 921	1 596
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.1%	43.8%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	55.9%	56.2%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	847	699
Average number of shares outstanding	119 514 584	118 195 194
<b>Basic earnings per share (in CHF)</b>	<b>7.08</b>	5.91
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	1 074	897
Average number of shares outstanding	30 335 000	30 335 000
<b>Basic earnings per share (in CHF)</b>	<b>35.41</b>	29.57

#### b. Diluted

	2013	2012
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	848	700
Average number of shares outstanding – basic (as above)	119 514 584	118 195 194
Potential number of shares from options outstanding	232 711	231 159
Average potential number of shares outstanding – diluted	119 747 295	118 426 353
<b>Diluted earnings per share (in CHF)</b>	<b>7.08</b>	5.91
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	1 073	896
Average potential number of shares outstanding	30 335 000	30 335 000
<b>Diluted earnings per share (in CHF)</b>	<b>35.38</b>	29.54

### 8. Dividends paid and proposed

On 29 May 2013, the Annual General Meeting approved the distribution of a dividend of CHF 1.35 per registered share and CHF 6.75 per bearer share. The distribution to holders of outstanding shares totaled CHF 366 million (2012: CHF 310 million) and has been recorded against retained earnings in 2013.

At the Annual General Meeting on 14 May 2014, payment of the following dividends for 2013 will be proposed:

	Registered	Bearer
Dividend per share	CHF 1.50	CHF 7.50
Total dividend	CHF 186 067 500	CHF 231 300 000

The financial statements ending 31 December 2013 do not take into account this proposed dividend. Dividends will be treated as an appropriation of available earnings during the financial year 2014.

## Notes to the consolidated financial statements

### 9. Cash and cash equivalents

(CHF million)	31.12.2013	31.12.2012
Current accounts and liquid assets	810	971
Short-term deposits with financial institutions	98	549
<b>Total</b>	<b>908</b>	<b>1 520</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)	31.12.2013	31.12.2012
Cash and cash equivalents	908	1 520
Current account overdrafts (Note 20)	0	0
<b>Total funds net cash</b>	<b>908</b>	<b>1 520</b>

### 10. Marketable securities and derivative financial instruments

(CHF million)	31.12.2013	31.12.2012
Equity securities	55	103
Bond securities	238	309
Investment funds and other investments	32	35
<b>Total marketable securities at fair value</b>	<b>325</b>	<b>447</b>

<b>Derivative financial instruments</b>	<b>0</b>	<b>0</b>
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<b>Total marketable securities and derivative financial instruments</b>	<b>325</b>	<b>447</b>
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The table below gives an overview of the contract values and fair values of derivative financial instruments by type of contract.

Type (CHF million)	31.12.2013			31.12.2012		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
EUR	405	–	–2	344	–	–
JPY	7	–	0	14	–	–1
USD	565	–	–4	123	–	–1
GBP	26	–	–1	10	–	–
RUB	16	–	0	12	–	0
THB	–	–	–	22	–	0
Other currencies	30	–	–1	50	–	0
Gold	69	–	0	–	–	–
<b>Total</b>	<b>1 118</b>	<b>–</b>	<b>–8</b>	<b>575</b>	<b>–</b>	<b>–2</b>

## Notes to the consolidated financial statements

### 11. Trade receivables

(CHF million)	31.12.2013	31.12.2012
Trade receivables – gross	1 083	1 068
Allowance for impaired receivables	– 10	– 8
<b>Total trade receivables – net</b>	<b>1 073</b>	<b>1 060</b>

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

(CHF million)	2013	2012
<b>Balance at 1 January</b>	<b>– 8</b>	<b>– 18</b>
Translation differences	0	0
Business combinations	– 1	–
Utilization	0	8
Reversal	1	3
Creation	– 2	– 1
<b>Balance at 31 December</b>	<b>– 10</b>	<b>– 8</b>

The individually impaired receivables mainly relate to amounts overdue more than 12 months and to customers with solvency risks. 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)	31.12.2013	31.12.2012
CHF	209	238
CNY	301	251
EUR	185	187
HKD	54	69
JPY	27	26
USD	104	97
Other currencies	193	192
<b>Total trade receivables – net</b>	<b>1 073</b>	<b>1 060</b>

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.

### 12. Other current assets

(CHF million)	31.12.2013	31.12.2012
VAT to be refunded	126	125
Other receivables	130	36
<b>Total other current assets</b>	<b>256</b>	<b>161</b>



## Notes to the consolidated financial statements

### 13. Inventories

(CHF million)	31.12.2013	31.12.2012
Raw materials	383	376
Work in progress	582	458
Semi-finished goods	1 933	1 663
Finished goods	2 246	1 658
Spare parts for customer service	282	252
<b>Total inventories</b>	<b>5 426</b>	<b>4 407</b>

Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2013, the Group recognized write-downs of CHF 105 million, mainly related to Tiffany products (previous year: CHF 42 million). In addition, an amount of CHF 7 million (previous year: CHF 25 million) was reversed. The net impact of these adjustments was a charge to the income statement of CHF 98 million (2012: CHF 17 million).

### 14. Prepayments and accrued income

(CHF million)	31.12.2013	31.12.2012
Prepaid sales, marketing and administration costs	104	129
Income tax assets	19	17
Other prepayments and accrued income	562	86
<b>Total prepayments and accrued income</b>	<b>685</b>	<b>232</b>

As of 2013, prepaid marketing costs are broken down into current and non-current components in an effort to increase the transparency of reports. The comparative figure for the non-current marketing costs paid in advance at the end of 2012 amounted to CHF 51 million. For reasons of materiality, this accounting change was only made on a prospective basis. The previous year's figure will remain in prepaid sales, marketing and administration costs. The non-current portion for 2013 is recorded in Other non-current assets (see Note 19).

The increase in the position Other prepayments and accrued income is mainly due to the compensation from the settled Tiffany & Co. USA case.

## Notes to the consolidated financial statements

### 15. Property, plant and equipment

(CHF million)	Land and buildings <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
<b>Historical cost, 1 January 2013</b>	<b>1 292</b>	<b>2 958</b>	<b>435</b>	<b>111</b>	<b>4 796</b>
Translation differences	- 32	- 9	- 10	0	- 51
Business combinations (Note 18)	48	31	18	-	97
Additions	91	324	66	101	582
Disposals	- 24	- 97	- 63	-	- 184
Transfers	78	11	- 11	- 78	-
<b>Historical cost, 31 December 2013</b>	<b>1 453</b>	<b>3 218</b>	<b>435</b>	<b>134</b>	<b>5 240</b>
<b>Accumulated depreciation, 1 January 2013</b>	<b>- 581</b>	<b>- 2 037</b>	<b>- 256</b>	<b>0</b>	<b>- 2 874</b>
Translation differences	- 1	11	8	0	18
Annual depreciation	- 42	- 195	- 39	-	- 276
Impairment	0	0	0	-	0
Depreciation on disposals	24	97	43	-	164
Transfers	0	- 5	5	-	-
<b>Accumulated depreciation, 31 December 2013</b>	<b>- 600</b>	<b>- 2 129</b>	<b>- 239</b>	<b>0</b>	<b>- 2 968</b>
Net book values:					
<b>Balance at 1 January 2013</b>	<b>711</b>	<b>921</b>	<b>179</b>	<b>111</b>	<b>1 922</b>
<b>Balance at 31 December 2013</b>	<b>853</b>	<b>1 089</b>	<b>196</b>	<b>134</b>	<b>2 272</b>
Insured value					<b>5 902</b>
Net book value of property, plant and equipment under finance lease contracts					<b>1</b>
Total non-current assets pledged to guarantee the commitments of Group companies					<b>46</b>

<sup>1)</sup> The category Land and buildings includes investment property with a carrying amount of CHF 32 million (previous year: CHF 33 million).

(CHF million)	Land and buildings <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
<b>Historical cost, 1 January 2012</b>	<b>1 259</b>	<b>2 731</b>	<b>393</b>	<b>28</b>	<b>4 411</b>
Translation differences	- 26	- 4	- 3	0	- 33
Business combinations (Note 18)	38	14	1	0	53
Additions	22	276	54	92	444
Disposals	- 7	- 60	- 12	-	- 79
Transfers	6	1	2	- 9	-
<b>Historical cost, 31 December 2012</b>	<b>1 292</b>	<b>2 958</b>	<b>435</b>	<b>111</b>	<b>4 796</b>
<b>Accumulated depreciation, 1 January 2012</b>	<b>- 557</b>	<b>- 1 925</b>	<b>- 233</b>	<b>0</b>	<b>- 2 715</b>
Translation differences	2	2	3	-	7
Annual depreciation	- 29	- 172	- 38	-	- 239
Impairment	0	-	-	-	0
Depreciation on disposals	3	58	12	-	73
Transfers	-	-	-	-	-
<b>Accumulated depreciation, 31 December 2012</b>	<b>- 581</b>	<b>- 2 037</b>	<b>- 256</b>	<b>0</b>	<b>- 2 874</b>
Net book values:					
<b>Balance at 1 January 2012</b>	<b>702</b>	<b>806</b>	<b>160</b>	<b>28</b>	<b>1 696</b>
<b>Balance at 31 December 2012</b>	<b>711</b>	<b>921</b>	<b>179</b>	<b>111</b>	<b>1 922</b>
Insured value					<b>5 376</b>
Net book value of property, plant and equipment under finance lease contracts					<b>0</b>
Total non-current assets pledged to guarantee the commitments of Group companies					<b>62</b>

## Notes to the consolidated financial statements

### 16. Intangible assets

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
<b>Historical cost, 1 January 2013</b>	<b>88</b>	<b>96</b>	<b>80</b>	<b>264</b>
Translation differences	–	–1	1	0
Business combinations (Note 18)	–	0	1	1
Additions	10	17	21	48
Disposals	0	–1	–12	–13
Transfers	–18	–	18	0
<b>Historical cost, 31 December 2013</b>	<b>80</b>	<b>111</b>	<b>109</b>	<b>300</b>
<b>Accumulated amortization, 1 January 2013</b>	<b>–35</b>	<b>–73</b>	<b>–40</b>	<b>–148</b>
Translation differences	–	0	–1	–1
Annual amortization	–11	–12	–5	–28
Impairment	–	0	0	0
Amortization on disposals	0	1	12	13
Transfers	0	–	0	0
<b>Accumulated amortization, 31 December 2013</b>	<b>–46</b>	<b>–84</b>	<b>–34</b>	<b>–164</b>
Net book values:				
<b>Balance at 1 January 2013</b>	<b>53</b>	<b>23</b>	<b>40</b>	<b>116</b>
<b>Balance at 31 December 2013</b>	<b>34</b>	<b>27</b>	<b>75</b>	<b>136</b>

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
<b>Historical cost, 1 January 2012</b>	<b>71</b>	<b>85</b>	<b>76</b>	<b>232</b>
Translation differences	–	0	–1	–1
Business combinations (Note 18)	–	1	–	1
Additions	17	13	8	38
Disposals	0	–4	–2	–6
Transfers	–	1	–1	0
<b>Historical cost, 31 December 2012</b>	<b>88</b>	<b>96</b>	<b>80</b>	<b>264</b>
<b>Accumulated amortization, 1 January 2012</b>	<b>–26</b>	<b>–68</b>	<b>–37</b>	<b>–131</b>
Translation differences	–	0	0	0
Annual amortization	–9	–9	–4	–22
Impairment	–	–	–	–
Amortization on disposals	0	4	1	5
Transfers	–	0	0	0
<b>Accumulated amortization, 31 December 2012</b>	<b>–35</b>	<b>–73</b>	<b>–40</b>	<b>–148</b>
Net book values:				
<b>Balance at 1 January 2012</b>	<b>45</b>	<b>17</b>	<b>39</b>	<b>101</b>
<b>Balance at 31 December 2012</b>	<b>53</b>	<b>23</b>	<b>40</b>	<b>116</b>

## Notes to the consolidated financial statements

### 17. Investments in associates and joint ventures

(CHF million)	2013	2012
<b>Balance at 1 January</b>	<b>110</b>	81
Share of result from associates and joint ventures	13	18
Dividends received	-21	-17
Investments	14	140
Goodwill (recognized in equity)	-	-111
Reclassification of previously held interests	-52	-
Investments acquired through business combinations	3	-
Translation differences	-2	-1
<b>Balance at 31 December</b>	<b>65</b>	110

All associates and joint ventures are recognized using the equity method. They have been listed in Note 33. Despite having less than 20% of the voting power of Hengdeli Holdings, 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, this investment is defined as associate.

In 2013, the Group increased its stake in Belenos Clean Power Holding AG from 42% to 49%.

On 24 November 2013, the Swatch Group increased its stake in Rivoli Investments LLC from 40% to 58%. In doing so, it took over control of Rivoli Investments LLC. As a result, Rivoli Investments LLC and its subsidiaries became fully consolidated entities of the Swatch Group. The share in Rivoli Investments LLC previously held by the Group was removed from investments in associates and included in the provisional calculation of goodwill from this acquisition (see Note 18).

In 2012, the Group increased its stake in Rivoli Investments LLC from 15% to 40%.

At 31 December 2013, the fair value of the investment in Hengdeli Holdings was CHF 92 million (2012: CHF 130 million). Sales to and purchases from associates and joint ventures amounted to CHF 1 119 million (2012: CHF 1 037 million) and CHF 8 million (2012: CHF 22 million) respectively.

At balance sheet date, associated companies and joint ventures had contingent liabilities of CHF 1 million (2012: none).

## Notes to the consolidated financial statements

### 18. Business combinations

On 26 March 2013, the Swatch Group acquired 100% of the shares in the US company HW Holdings Inc., which owns Harry Winston Inc., New York. The Group took over all the company's activities in connection with high jewelry and watches, including its production company in Geneva (Switzerland). This does not affect the operations of the Harry Winston Diamond Corporation - now Dominion Diamond Corporation - in Toronto (Canada). The transaction was approved by the various regulatory control bodies. As a result of this acquisition, a total of 10 companies have now been incorporated into the Swatch Group's consolidation structure.

Also, on 24 November 2013, Technocorp Holding AG, a subsidiary of the Swatch Group, increased its 40% share in Rivoli Investments LLC (Rivoli Group) to 58%, with the purchase of an additional equity stake. Rivoli Group operates a network of over 360 retail stores in the Middle East which are primarily active in the watch sector and employed over 1 500 persons at the acquisition date. Until this time, Rivoli Group was treated as an associate of the Swatch Group. With the purchase of the additional equity stake, the Swatch Group took control of Rivoli Group (comprised of 18 companies and one joint venture). As a result, these companies became fully consolidated subsidiaries of the Swatch Group. The share in Rivoli Investments LLC previously held by the Group was removed from investments in associates (see Note 17) and included in the provisional calculation of goodwill from this acquisition.

On 11 April 2012, the Swatch Group acquired 100% of the shares of the companies Simon Et Membrez SA in Delémont and PhM Holding SA in Courtételle. In addition, the Swatch Group acquired the related 60% stake in the company Termiboîtes SA in Courtemaîche. The acquired companies produce high-quality watch cases for the top price segment from precious metals such as gold, titanium, platinum, palladium, and premium-grade steel.

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	2013	2013	2013	2012
		Actual Values Harry Winston	Actual Values Rivoli <sup>1)</sup>	Actual Values Total	Actual Values Total
Cash and cash equivalents		27	27	54	18
Current assets		425	148	573	35
Property, plant and equipment	(15)	73	24	97	53
Intangible assets	(16)	1	0	1	1
Other non-current assets	(19)	9	6	15	–
Investments in associates and joint ventures	(17)	–	3	3	–
Deferred tax assets		14	2	16	–
Current liabilities		– 122	– 103	– 225	– 7
Deferred tax liabilities		– 10	–	– 10	– 13
Non-current liabilities		– 274	– 6	– 280	– 1
Provisions	(23)	– 1	–	– 1	–
Previously held interests	(17)	–	– 52	– 52	–
Non-controlling interests		–	– 46	– 46	–
<b>Net assets acquired</b>		142	3	145	86
Goodwill (recognized in equity)	(27)	569	99	668	268
<b>Total purchase consideration (incl. acquisition-related costs)</b>		711	102	813	354
Cash and cash equivalents acquired		– 27	– 27	– 54	– 18
Consideration payable		–	–	–	–
<b>Cash outflow on acquisitions</b>		684	75	759	336

<sup>1)</sup> Provisional values.

The goodwill arising from the acquisition of HW Holdings Inc. is mainly attributable to the Harry Winston brand name, the acquired retail stores and all activities related to the production of high jewelry and watches.

The goodwill from the acquisition of Rivoli Investments LLC is attributable to its superbly developed retail network and the related level of brand awareness of the Rivoli Group in the Middle East.

The total purchase consideration for both acquisitions basically represented the cash payments made to the vendors. Transaction costs related to the takeovers were recognized as part of goodwill directly in equity.

There were no divestments of businesses or repurchases of non-controlling interests in 2013 and 2012.

## Notes to the consolidated financial statements

### 19. Other non-current assets

(CHF million)	Prepaid marketing and rental cost	Security deposits	Other financial assets	Total
<b>Balance at 1 January 2013</b>	<b>22</b>	<b>45</b>	<b>110</b>	<b>177</b>
Transfers from "Prepayments" at 1 January	51	–	–	51
Translation differences	–1	–4	–2	–7
Business combinations (Note 18)	–	15	–	15
Additions	67	16	1	84
Disposals	0	–1	–8	–9
Transfers to current assets	–65	–	–90	–155
<b>Balance at 31 December 2013</b>	<b>74</b>	<b>71</b>	<b>11</b>	<b>156</b>

(CHF million)	Prepaid marketing and rental cost	Security deposits	Other financial assets	Total
Balance at 1 January 2012	23	37	120	180
Translation differences	0	–1	–2	–3
Additions	8	9	1	18
Disposals	0	0	–9	–9
Transfers to current assets	–9	–	–	–9
Balance at 31 December 2012	22	45	110	177

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 prepayments and accrued income.

As of 2013, prepaid marketing costs are being broken down into current and non-current components, as is detailed in Note 14. The comparative figure for the long-term marketing costs paid in advance at the end of 2012 amounted to CHF 51 million. For reasons of materiality, this accounting change was only made on a prospective basis. The previous year's figure will remain in prepayments and accrued income.

In the year under review, a loan to a business partner, repayable in 2014, was transferred to other current assets.

## Notes to the consolidated financial statements

### 20. Financial debts and derivative financial instruments

(CHF million)	31.12.2013	31.12.2012
Current account overdrafts	0	0
Short-term leasing commitments	1	1
Short-term bank debt	6	72
Derivative financial instruments	8	2
<b>Total current financial debts and derivative financial instruments</b>	<b>15</b>	<b>75</b>
<b>Total non-current financial debts</b>	<b>44</b>	<b>60</b>
<b>Total financial debts</b>	<b>59</b>	<b>135</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 31.12.2013</b>	<b>16</b>	<b>22</b>	<b>21</b>	<b>59</b>
At 31.12.2012	75	22	38	135

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

(CHF million)	31.12.2013	31.12.2012
CHF	10	4
JPY	45	61
EUR	1	1
Other currencies	3	69
<b>Total</b>	<b>59</b>	<b>135</b>

The Swatch Group had no listed debenture bonds or convertible bonds outstanding in the years under review. The long-term financial debts at the end of 2013 included a mortgage of JPY 4 750 million or CHF 40 million (prior year: JPY 5 250 million or CHF 56 million) at a fixed interest rate of 2.41% with a term until March 2021 (without a termination clause).

### 21. Other liabilities

(CHF million)	31.12.2013	31.12.2012
Advance payments	31	28
Income tax liabilities	21	63
VAT due	4	13
Other payables	108	75
<b>Total other payables</b>	<b>164</b>	<b>179</b>

## Notes to the consolidated financial statements

### 22. Accrued expenses

(CHF million)	31.12.2013	31.12.2012
Accrued salaries and social security	168	148
Accrued sales, marketing and administration costs	162	138
Accrued income taxes	169	104
Accrued sales reductions	74	79
Other accrued expenses	158	125
<b>Total accrued expenses</b>	<b>731</b>	<b>594</b>
thereof current	702	565
thereof non-current	29	29

### 23. Provisions

(CHF million)	Warranties	Litigation	Other	Total
<b>Balance at 31.12.2011</b>	<b>80</b>	<b>6</b>	<b>17</b>	<b>103</b>
Translation differences	-1	0	0	-1
Additional provisions	64	3	11	78
Reversal of provisions	-3	-1	-2	-6
Business combinations	-	-	-	-
Provisions used during the year	-62	-2	-5	-69
<b>Balance at 31.12.2012</b>	<b>78</b>	<b>6</b>	<b>21</b>	<b>105</b>
thereof current provisions	54	3	8	65
thereof non-current provisions	24	3	13	40
Translation differences	-2	0	0	-2
Additional provisions	80	2	14	96
Reversal of provisions	-12	0	-2	-14
Business combinations	0	-	1	1
Provisions used during the year	-57	-2	-8	-67
<b>Balance at 31.12.2013</b>	<b>87</b>	<b>6</b>	<b>26</b>	<b>119</b>
thereof current provisions	60	3	11	74
thereof non-current provisions	27	3	15	45

#### 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

### 24. Retirement benefit obligations

#### Employer contributions reserve (ECR) / shares held by pension institutions

The Group has an employer contribution reserve in the Swiss pension fund of the Swatch Group, which amounts to CHF 5 million. This reserve is capitalized in other non-current assets. The employer contribution reserve has not changed in the years under review; there have been no formations or dissolutions, nor has there been a waiver of usage.

Pension fund assets included 5 539 307 registered shares (2012: 6 264 454 shares) and 120 bearer shares (2012: 1 350 shares) of The Swatch Group Ltd.

#### Economic benefit / economic obligation and pension benefit expenses

2013

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year and/or income statement impact in current year <sup>1)</sup>	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	301	–	–	–	–
Pension plans without surplus / deficit	–	–	0	84	84
Pension plans with surplus	–	–	–	–	–
Pension plans with deficit	–18	–9	0	1	1
Pension plans without own assets	–	–24	10	1	1
<b>Total</b>	<b>283</b>	<b>–33</b>	<b>10</b>	<b>86</b>	<b>86</b>

<sup>1)</sup> The change in the Group's economic share in the year under review can be attributed to business combinations and reclassifications within the balance sheet and have no impact on the income statement.

2012

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year and/or income statement impact in current year	Contributions concerning the business period	Pension cost within personnel expense
Patronage funds / patronage pension plans	280	–	–	–	–
Pension plans without surplus / deficit	–	0	0	83	83
Pension plans with surplus	–	–	–	–	–
Pension plans with deficit	–21	–10	0	3	3
Pension plans without own assets	–	–13	1	2	3
<b>Total</b>	<b>259</b>	<b>–23</b>	<b>1</b>	<b>88</b>	<b>89</b>

#### Summary of pension benefit expenses

(CHF million)	Switzerland	Abroad	Total	Switzerland	Abroad	Total
	2013	2013	2013	2012	2012	2012
Contributions to pension plans charged to Group companies	76	10	86	75	13	88
Contributions to pension plans paid from ECR	–	–	–	–	–	–
Total contributions	76	10	86	75	13	88
Change of ECR from evolution of fortune, impairments, discounting, etc.	0	–	0	0	–	0
Contributions and change in ECR	76	10	86	75	13	88
Increase / decrease of Groups's economic benefits from surpluses	–	–	–	–	–	–
Decrease / increase of economic obligations from deficits	–	0	0	–	1	1
Total changes of economic effects from surpluses / deficits	–	0	0	–	1	1
<b>Pension benefit expenses within personnel expenses of the period</b>	<b>76</b>	<b>10</b>	<b>86</b>	<b>75</b>	<b>14</b>	<b>89</b>

## Notes to the consolidated financial statements

### 25. Commitments and contingencies

#### a. Guarantees and sureties

At 31 December 2013, guarantees to third parties as security for commitments of Group companies amounted to CHF 5 million (2012: less than CHF 1 million).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 71 million at 31 December 2013 (CHF 45 million at end-2012).

#### b. Leasing and other commitments

The Group's fixed operating leasing commitments that cannot be cancelled within 12 months and which are not recognized in the balance sheet are due as follows:

(CHF million)	31.12.2013	31.12.2012
Less than 1 year	334	250
Between 1 and 5 years	753	618
Over 5 years	427	288
<b>Total</b>	<b>1 514</b>	<b>1 156</b>

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 2013. Leasing costs amounting to CHF 384 million were recognized in the 2013 income statement (CHF 309 million in 2012).

Other commitments relating mainly to investments in tangible fixed assets entered into by the Group, and ongoing at 31 December 2013, amounted to CHF 156 million (CHF 169 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 23b).

In some cases the Group is defending its rights where there is also an inherent possibility of inflows of economic benefits if the cases are successful.

In December 2007, the Swatch Group entered a long-term collaboration agreement with Tiffany & Co. USA for the design, production and worldwide distribution of "Tiffany & Co." watches. In September 2011, the Swatch Group terminated its collaboration with Tiffany & Co. USA due to breach of contract and in December 2011, filed a claim for damages against Tiffany & Co. USA at the Netherlands Arbitration Institute. In March 2012, Tiffany & Co. USA filed a counterclaim at the same arbitration board.

The Swatch Group won the court case at the end of December 2013. The court ordered Tiffany & Co. USA to pay the Swatch Group compensation of more than CHF 400 million. Tiffany & Co. USA paid the compensation in January 2014.

The counterclaim by Tiffany & Co. USA was completely dismissed.

# Notes to the consolidated financial statements

## 26. 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
31.12.2011	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2012	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2013</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 2013 as well as 2012, 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. Capital reserves

Capital reserves include proceeds from the sale of treasury shares and the effects of capital reductions in prior years. In addition, capital reserves include non-distributable, statutory or legal reserves amounting to CHF 67 million (2012: CHF 67 million). These reserves come from the holding company The Swatch Group Ltd.

### c. Treasury shares

Changes in shares of The Swatch Group Ltd held by the Group (treasury shares) are presented in the following table:

	Registered shares		Bearer shares		Total
	Quantity	Value	Quantity	Value	
	CHF million		CHF million		CHF million
<b>Balance at 31.12.2011</b>	<b>5 990 562</b>	<b>215</b>	<b>505 000</b>	<b>132</b>	<b>347</b>
Acquisitions <sup>1)</sup>	35 000	2	–	–	2
Disposals <sup>2)</sup>	– 348 385	– 6	–	–	– 6
<b>Balance at 31.12.2012</b>	<b>5 677 177</b>	<b>211</b>	<b>505 000</b>	<b>132</b>	<b>343</b>
Acquisitions <sup>1)</sup>	17 800	2	–	–	2
Disposals <sup>2)</sup>	– 1 568 681	– 77	–	–	– 77
<b>Balance at 31.12.2013</b>	<b>4 126 296</b>	<b>136</b>	<b>505 000</b>	<b>132</b>	<b>268</b>

<sup>1)</sup> In 2013, the Group acquired 17 800 (2012: 35 000) registered shares at an average price of CHF 91.43 (2012: CHF 61.81) each, which increased the amount of treasury shares by CHF 2 million (2012: CHF 2 million).

<sup>2)</sup> In 2013, the Group sold 1 323 718 (2012: 101 899) registered shares at an average price of CHF 92.22 (2012: CHF 70.90). The remaining disposals relate mainly to the employee stock option plan. Details of the share options granted in connection with the employee stock option plan are given in Note 29. In the year under review, disposals resulted in a decrease of CHF 77 million (2012: decrease of CHF 6 million) in the treasury shares position.

Treasury shares are recognized in the consolidated financial statements at their historical cost. The value of these shares is charged against consolidated equity.

## Notes to the consolidated financial statements

### 27. Acquired goodwill

#### a. Theoretical statement of changes in goodwill

Goodwill is recognized directly in equity at the time of purchase of a subsidiary or an investment in an associated company. The theoretical capitalization of goodwill, based on a useful life of 5 to 10 years, would have the following impact on equity and net income:

(CHF million)	2013			2012		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
<b>Historical cost 1 January</b>	<b>545</b>	<b>221</b>	<b>766</b>	277	110	387
Additions	668	–	668	268	111	379
Disposals	–	–	–	–	–	–
Transfers	173	–173	–	–	–	–
<b>Historical cost 31 December</b>	<b>1 386</b>	<b>48</b>	<b>1 434</b>	545	221	766
<b>Theoretical accumulated amortization</b>						
<b>1 January</b>	<b>– 289</b>	<b>– 52</b>	<b>– 341</b>	– 264	– 35	– 299
Theoretical annual amortization	– 77	– 20	– 97	– 25	– 17	– 42
Theoretical impairment	–	–	–	–	–	–
Theoretical amortization on disposals	–	–	–	–	–	–
Transfers	– 49	49	–	–	–	–
<b>Theoretical accumulated amortization 31 December</b>	<b>– 415</b>	<b>– 23</b>	<b>– 438</b>	– 289	– 52	– 341
<b>Theoretical net book value 31 December</b>	<b>971</b>	<b>25</b>	<b>996</b>	256	169	425

The existing goodwill positions when the switch was made from IFRS to Swiss GAAP FER on 1 January 2012 were translated using the exchange rates applicable on that date. Acquisitions made from 1 January 2012 were translated into CHF with the exchange rate applicable on their respective transaction dates. As a result of this procedure, no currency adjustments were necessary in the statement of changes in goodwill.

Had goodwill been capitalized and amortized, the theoretical effect on equity and net income would have been as follows:

#### b. Theoretical impact on equity

(CHF million)	2013	2012
Equity, per balance sheet	9 574	8 573
Theoretical capitalization of net book value of goodwill	996	425
<b>Theoretical equity including net book value of goodwill</b>	<b>10 570</b>	<b>8 998</b>

#### c. Theoretical impact on net income

(CHF million)	2013	2012
Net income, per income statement	1 928	1 604
Theoretical amortization of goodwill	– 97	– 42
<b>Theoretical net income after goodwill amortization</b>	<b>1 831</b>	<b>1 562</b>

## Notes to the consolidated financial statements

### 28. Details to the consolidated statement of cash flows

**a. Non-cash items**

(CHF million)	Notes	2013	2012
<b>Reversal of non-cash items</b>			
Share of result from associates and joint ventures	(17)	- 13	- 18
Income taxes	(6a)	428	407
Depreciation of property, plant and equipment	(15)	276	239
Amortization of intangible assets	(16)	28	22
Profit on sale of fixed assets		- 9	- 4
Loss on sale of fixed assets		2	1
Fair value gains on marketable securities		- 29	- 29
Fair value losses on marketable securities		18	10
Interest income	(5f)	- 28	- 10
Interest expense	(5f)	2	3
Expenses for equity-settled compensation plan	(29)	19	16
Changes in provisions		14	3
Changes in retirement benefit obligations		4	2
<b>Total</b>		<b>712</b>	<b>642</b>

**b. Changes in working capital**

(CHF million)	2013	2012
<b>Changes in working capital and other items included in cash flow from operating activities</b>		
Inventories	- 597	- 725
Trade receivables	18	- 169
Other receivables and accrued income	- 396	- 31
Trade payables	- 18	- 80
Other liabilities and accrued expenses	- 5	41
Other items included in cash flow from operating activities	33	8
<b>Total</b>	<b>- 965</b>	<b>- 956</b>

### 29. 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 exercise price.

At the end of 2013, this portfolio comprised 1 396 771 registered shares (1 641 734 at the end of 2012). In 2013, 244 963 registered shares were exercised at a preferential price of CHF 4.00 per registered share.

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

	2013	2012
	Options	Options
Options outstanding at 1 January	245 246	248 291
Granted	244 095	244 329
Forfeited or lapsed	- 1 463	- 888
Exercised	- 244 963	- 246 486
<b>Options outstanding at 31 December</b>	<b>242 915</b>	<b>245 246</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	
	31.12.2013	31.12.2012
2013		163 715
2014	161 496	81 531
2015	81 419	
<b>Total</b>	<b>242 915</b>	<b>245 246</b>

The fair value of the options granted during the period was determined by using the actual value at the grant date. The following table shows the assumptions on which the valuation of share options granted in 2013 and 2012 was based:

	2013		2012	
	Portion exercisable in 1 year	Portion exercisable in 2 years	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date	12 July 2013	12 July 2013	6 July 2012	6 July 2012
Expiration date	12 July 2014	12 July 2015	6 July 2013	6 July 2014
Closing share price on grant date	CHF 94.80	CHF 94.80	CHF 64.10	CHF 64.10
Exercise price	CHF 4.00	CHF 4.00	CHF 4.00	CHF 4.00
Market value of option at grant date	CHF 90.80	CHF 90.80	CHF 60.10	CHF 60.10

The first portion that was immediately exercisable was subject to the exercise conditions listed above.

The personnel expense recorded in the 2013 income statement amounted to CHF 19 million (2012: CHF 16 million).

### 30. Related party transactions

#### a. Principal shareholders

On 31 December 2013, the Hayek Pool and its related companies, institutions and individuals held 63 266 042 registered shares and 670 bearer shares, equivalent to 40.8% of the shares issued (previous year: 41.3%) 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 40.4% of the shares issued (previous year: 40.8%).

Mrs. Esther Grether's group controlled 7.1% of the shares issued (compared with 7.1% a year earlier).

In 2013, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 10.2 million to the Swatch Group (compared with CHF 10.1 million in 2012). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2013	2012
Audit, feasibility studies and process optimization	1.0	1.3
Executive functions	1.0	1.2
Project management in the construction sector	6.0	5.3
Support for projects in the materials and surface treatment technology sector	0.2	0.3
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	0.4	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	1.6	1.6
<b>Total</b>	<b>10.2</b>	<b>10.1</b>

## 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.

The total compensation of key management personnel, including pension contributions and share-based compensation, was as follows:

(CHF million)	2013	2012
Short-term employee benefits	28.2	25.7
– of which in salaries	9.1	8.6
– of which in bonus	19.0	17.0
– of which in other benefits	0.1	0.1
Contributions to pension plans	0.7	0.7
Termination benefits	–	–
Share-based compensation	15.6	10.1
<b>Total</b>	<b>44.5</b>	<b>36.5</b>

No remuneration was paid to former members of management bodies for their former functions.

### c. Share ownership

At 31 December 2013, 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 56 476 642 registered shares and 790 bearer shares, representing 36.5% of the voting rights (previous year: 36.4%).

In addition, at 31 December 2013, all the non-executive members of the Board of Directors as well as the persons close to them held 10 868 000 registered shares and 116 000 bearer shares, representing 7.1% of the voting rights (previous year: 7.1%).

### d. Loans to members of the governing bodies

The employees of the company may take out a mortgage loan with the Swatch Group Swiss 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 Swiss Pension Fund Foundation Board. These conditions are applied in the same manner to all employees.

In 2013 and 2012, 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 2013, no such loans were outstanding (2012: CHF 0.3 million at 1.7%).

### 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 33).

(CHF million)	2013		2012	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	8	1 119	22	1 037
Other related parties	0	0	0	0

At the end of 2013, receivables from associates amounted to CHF 244 million (2012: CHF 241 million), and payables to associates were CHF 1 million (2012: CHF 1 million). In addition, at the end of 2013 the Group held guarantees from associated companies in the amount of CHF 243 million (2012: CHF 222 million). At 31 December 2013, the Group had granted no loans to associated companies (2012: USD 18 million, with an interest rate of 4.4%).

At the end of 2013 and 2012 there were no balances outstanding with other related parties.

## Notes to the consolidated financial statements

### 31. Management compensation disclosures (required by Swiss Law)

This note has been prepared in accordance with the requirements of the Swiss law for companies, 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 30, mainly due to different valuation and expense recognition rules applied.

#### Compensation to Board of Directors and Group Management (Art. 663b<sup>bis</sup> SCO)

##### a. Board of Directors (BoD)

2013 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions			Total <sup>5)</sup> (CHF)
			Base compen- sation <sup>2)</sup> (CHF)	Bonus <sup>3)</sup> (CHF)	Other compen- sation <sup>4)</sup> (CHF)	
Nayla Hayek	Chairwoman	200 316	1 001 928	1 500 000	1 893 155	4 595 399
Ernst Tanner	Vice-Chairman	136 146				136 146
Esther Grether	Member	125 603				125 603
Georges Nicolas Hayek <sup>6)</sup>	Member	126 516				126 516
Prof. Dr. h.c. Claude Nicollier	Member	125 603				125 603
Dr. Jean-Pierre Roth	Member	125 603				125 603
<b>Total</b>		<b>839 787</b>	<b>1 001 928</b>	<b>1 500 000</b>	<b>1 893 155</b>	<b>5 234 870</b>

2012 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions			Total <sup>5)</sup> (CHF)
			Base compen- sation <sup>2)</sup> (CHF)	Bonus <sup>3)</sup> (CHF)	Other compen- sation <sup>4)</sup> (CHF)	
Nayla Hayek	Chairwoman	199 230	1 001 928	1 320 000	1 276 021	3 797 179
Ernst Tanner	Vice-Chairman	137 333				137 333
Esther Grether	Member	124 517				124 517
Georges Nicolas Hayek <sup>6)</sup>	Member	125 430				125 430
Prof. Dr. h.c. Claude Nicollier	Member	124 517				124 517
Dr. Jean-Pierre Roth	Member	124 517				124 517
<b>Total</b>		<b>835 544</b>	<b>1 001 928</b>	<b>1 320 000</b>	<b>1 276 021</b>	<b>4 433 493</b>

<sup>1)</sup> Total annual fee paid in cash, not including any reimbursement for travel and other business expenses incurred. In 2013 and 2012, this fee includes an additional amount of CHF 20 000 for each member of the audit and compensation committees.

<sup>2)</sup> Total annual fee paid in cash, not including any reimbursement for travel and other business expenses incurred.

<sup>3)</sup> Cash bonuses according to the accrual principle.

<sup>4)</sup> Other compensation includes pension contributions and share options. In 2013, 20 000 share options with a value of CHF 1 829 999 were granted to Mrs. N. Hayek (2012: 20 000 share options with a value of CHF 1 213 393), according to the conditions described in Note 29 Employee stock option plan. Each option gives the right to conversion in one registered share.

<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.

<sup>6)</sup> The compensation for the executive functions is included in Note 31b.



## Notes to the consolidated financial statements

### b. Management Board (MB) and Extended Management Board (EMB)

2013

Name	Salaries <sup>1)</sup> (CHF)	Bonus <sup>2)</sup> (CHF)	Share options <sup>3)</sup> (number)	Share options <sup>3)</sup> (CHF)	Other compensation <sup>4)</sup> (CHF)	Total <sup>5)</sup> (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 501 925	3 220 000	24 000	2 196 000	63 156	6 981 081
Total other members	5 716 699	14 238 057	126 300	11 556 433	744 485	32 255 674
<b>Total</b>	<b>7 218 624</b>	<b>17 458 057</b>	<b>150 300</b>	<b>13 752 433</b>	<b>807 641</b>	<b>39 236 755</b>

2012

Name	Salaries <sup>1)</sup> (CHF)	Bonus <sup>2)</sup> (CHF)	Share options <sup>3)</sup> (number)	Share options <sup>3)</sup> (CHF)	Other compensation <sup>4)</sup> (CHF)	Total <sup>5)</sup> (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 530 771	3 220 000	24 000	1 456 080	62 628	6 269 479
Total other members	5 268 940	12 438 033	113 700	6 898 130	716 763	25 321 866
Total	6 799 711	15 658 033	137 700	8 354 210	779 391	31 591 345

<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 year under review, according to the conditions described in Note 29 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 by using market value (actual value at the grant date). Each option confers the right to conversion into one registered share.

<sup>4)</sup> Other salary elements such as pension contributions, 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 2013 and 2012, 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 2013, no loans were outstanding (2012: CHF 0.3 million at 1.7%).

In 2013 and 2012, 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 2013 and 2012, 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)	
		2013	2012	2013	2012	2013	2012
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	68 208	48 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Esther Grether	BoD Member	10 868 000	10 935 000	114 000	114 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member						
Dr. Jean-Pierre Roth	BoD Member						
Georges Nicolas Hayek	BoD Member / CEO	56 491	80 824			24 000	24 000
Pierre-André Bühler <sup>1)</sup>	MB Member	12 866	9 034			7 502	6 334
Dr. Mougahed Darwish	MB Member	67 336	62 470			3 734	6 000
Arlette E. Emch <sup>2)</sup>	MB Member		10 000				4 000
Marc A. Hayek	MB Member	80 898	68 398			12 502	12 502
Dr. Thierry Kenel	MB Member / CFO	30 252	22 252			8 002	8 002
Florence Ollivier-Lamarque	MB Member	40 668	45 668			12 000	12 000
Dr. Hanspeter Rentsch	MB Member / CLO	95 022	99 489	200	200	19 001	19 001
François Thiébaud	MB Member	84 623	80 291			12 502	12 334
Raynald Aeschlimann <sup>3)</sup>	EMB Member	6 033				3 835	
Matthias Breschan	EMB Member	3 034	34			3 000	3 000
Jean-Claude Eggen <sup>3)</sup>	EMB Member	2 616				2 001	
Yann Gamard	EMB Member	7 801	6 101			5 501	5 501
Hans-Rudolf Gottier <sup>3)</sup>	EMB Member	30 648				4 902	
Walter von Känel	EMB Member	36 393	30 725	40	40	6 000	5 668
Thomas Meier	EMB Member	1 200				1 200	1 200
Calogero Polizzi <sup>3)</sup>	EMB Member	4 004				1 534	
Kevin Rollenhagen	EMB Member	52 148	44 148			8 002	8 002
Dr. Peter Steiger	EMB Member	60 257	56 090			7 668	6 835
Stephen Urquhart	EMB Member	32 000	32 000			6 502	6 502
<b>Total</b>		<b>67 344 642</b>	<b>67 334 876</b>	<b>116 790</b>	<b>116 790</b>	<b>169 390</b>	<b>160 883</b>

<sup>1)</sup> MB Member since January 2013, before EMB Member.

<sup>2)</sup> MB Member until February 2013.

<sup>3)</sup> EMB Member since January 2013.

The terms of the share options are disclosed in Note 29. Each option gives the right to conversion into one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 30 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 2013 and 2012, either directly or through share options, more than 1% of the outstanding Swatch Group shares.

### 32. Events after the balance sheet date

There were no significant events after the balance sheet date.

# Notes to the consolidated financial statements

## 33. The Swatch Group Companies – as at 31.12.2013

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	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	●	▼
Belenos Clean Power Holding SA, Bienne	Holding	CHF 63.00	49	○	▼
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	●	▶
Evaco SA, Möhlin	Watches	CHF 0.50	58	●	▲
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF 6.20	100	●	▲
François Golay SA, Le Chenit	Watch components	CHF 0.10	100	●	▲
Hamilton International AG, Bienne	Watches	CHF 3.00	100	●	▲
Harry Winston SA, Plan-les-Ouates	Watches	CHF 0.40	100	●	▲
ICB Ingénieurs Conseils en Brevets SA, Neuchâtel	Patents	CHF 0.20	100	●	▼
Le Foyer SA en liquidation, Saint-Imier	In liquidation	CHF 0.13	100	●	▼
Léon Hatot Les Boutiques SA, Milvignes	Retail	CHF 0.10	100	●	▲
Look and Feel AG, Bienne	No activity	CHF 20.00	100	●	▲
Louis Jeanneret-Wespy SA en liquidation, La Chaux-de-Fonds	In liquidation	CHF 0.05	100	●	▼
Maeder-Leschot SA, Bienne	Real estate	CHF 0.70	100	●	▼
Manufacture Ruedin SA, Haute-Sorne	Watch cases	CHF 2.40	100	●	▲
Mecco SA, Grenchen	Watch crowns	CHF 4.50	100	●	▲
Microcomponents AG, Grenchen	Administration	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, Val-de-Ruz	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	Administration	CHF 1.50	100	●	▼
Omega SA, Bienne	Watches	CHF 50.00	100	●	▲
Oscilloquartz SA, Neuchâtel	High-stability frequency sources	CHF 2.00	100	●	▶
PHM Holding SA, Courtételle	Holding	CHF 0.10	100	●	▲
Rado Uhren AG, Lengnau	Watches	CHF 2.00	100	●	▲
Record Watch Co. SA, St-Imier	Administration	CHF 0.10	100	●	▼
Renata AG, Itingen	Miniature batteries	CHF 0.50	100	●	▶
Rubattel et Weyerermann SA, La Chaux-de-Fonds	Watch dials	CHF 0.15	100	●	▲
Simon et Membrez SA, Delémont	Watch cases	CHF 0.10	100	●	▲
S.I. Grand-Cernil 2, Les Brenets, SA, Les Brenets	Real estate	CHF 0.12	100	●	▼
S.I. Grand-Cernil 3, Les Brenets, SA, Les Brenets	Real estate	CHF 0.12	100	●	▼
S.I. Les Corbes SA, Savagnier	Real estate	CHF 0.10	34	○	▼
S.I. L'Etang SA, Les Brenets, Les Brenets	Real estate	CHF 0.05	100	●	▼
S.I. Rue de la Gare 2, Les Brenets, SA, Les Brenets	Real estate	CHF 0.24	100	●	▼
SSIH Management Services AG, Bienne	Services	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 technology & equipment	CHF 2.00	100	●	▶
Technocorp Holding SA, Le Locle	Holding	CHF 6.00	100	●	▼
Terribôites SA, Courtemaître	Watch case polishing	CHF 0.10	60	●	▲
The Swatch Group Assembly SA, Genestrerio	Assembly	CHF 6.00	100	●	▲
The Swatch Group Europa AG, Bienne	Distribution	CHF 29.65	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 Lab AG, Zürich	Services	CHF 0.10	100	●	▼
The Swatch Group Les Boutiques SA, Le Grand-Saconnex	Retail	CHF 3.00	100	●	▲
The Swatch Group Management Services SA, Bienne	Services	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	●	▼
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	●	▲

Legend: ● Fully consolidated ○ Equity method ▲ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

# Notes to the consolidated financial statements

## 33. The Swatch Group Companies – as at 31.12.2013

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Germany</b>					
Altweiler Grundstücks-GmbH in Liquidation, Lörrach	In liquidation	EUR 0.03	95	●	▼
Fördergesellschaft der Glashütter Uhrenindustrie mbH, Glashütte	Watches	EUR 0.03	100	●	▲
Glashütter Uhrenbetrieb GmbH, Glashütte	Watches	EUR 0.51	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	●	▲
<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	Administration	EUR 0.04	100	●	▲
Fabrique de Fournitures de Bonnétage FFB, Villers-le-Lac	Precision parts	EUR 0.29	100	●	▲
Frésard Composants, Charquemont	Precision parts	EUR 1.80	100	●	▲
Centre Européen de Service Horloger, Besançon	Customer service	EUR 0.70	100	●	▲
Harry Winston S.A.R.L., Paris	Retail	EUR 2.99	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 55.13	100	●	▲
<b>Great Britain</b>					
Harry Winston (UK) Ltd, London	Retail	GBP 0.00	100	●	▲
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 463.41	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>Russia</b>					
Swiss Watch Le Prestige OOO Russia, Moscow	Distribution	RUB 0.20	100	●	▲
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 3 919.65	100	●	▲
<b>Sweden</b>					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	▲
<b>Czech Republic</b>					
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK 2.01	51	●	▶
ST Software s.r.o., Liberec	Sports timing technology & equipment	CZK 0.10	80	●	▶
The Swatch Group (CZ) Les Boutiques s.r.o., Praha	Retail	CZK 9.00	100	●	▲
<b>Turkey</b>					
The Swatch Group Turkey Saat Ticaret Limited Sirketi, Istanbul	Distribution	TRY 26.00	100	●	▲

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

# Notes to the consolidated financial statements

## 33. The Swatch Group Companies – as at 31.12.2013

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
<b>Asia</b>					
<b>Bahrain</b>					
Hour Choice W.L.L., Manama	Retail	BHD 0.02	58	●	◀
<b>Greater China</b>					
Beijing Xin Yu Heng Rui Watch & Clock Co., Ltd., Beijing	Real estate	CNY 40.00	50	○	◀
Harry Winston Commercial (China) Co. Ltd., Beijing	Retail	CNY 45.83	100	●	◀
Harry Winston (Hong Kong) Limited, Hong Kong	Retail	HKD 0.01	100	●	◀
Hengdeli Holdings Limited, Hong Kong	Retail	CNY 22.94	9	○	◀
Lanco Watches Ltd, Hong Kong	Administration	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	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	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	Assembly electronic components	CNY 74.57	100	●	◀
<b>Oman</b>					
Rivoli & Co. L.L.C., Muscat	Retail	OMR 0.30	58	●	◀
<b>Qatar</b>					
Hour Choice W.L.L., Doha	Retail	QAR 0.20	58	●	◀
Rivoli Watches W.L.L., Doha	Retail	QAR 0.40	58	●	◀
<b>South Korea</b>					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 6 300.00	100	●	◀
<b>Saudi Arabia</b>					
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33	○	◀
<b>United Arab Emirates</b>					
Al Khaleej Watches L.L.C., Abu Dhabi	Retail	AED 0.15	58	●	◀
Blue Sky Trading Company L.L.C., Abu Dhabi	Retail	AED 0.30	58	●	◀
Excel Enterprises L.L.C., Dubai	Retail	AED 1.70	58	●	◀
Golden Watch Company L.L.C., Abu Dhabi	Retail	AED 0.50	58	●	◀
Harry Winston L.L.C., Dubai	Services	AED 0.30	49	●	◀
Hour Choice L.L.C., Dubai	Retail	AED 3.00	58	●	◀
New Horizons General Trading L.L.C., Dubai	Retail	AED 0.30	29	○	◀
R & A L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Rivoli Arcade L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Rivoli Enterprises L.L.C., Dubai	Retail	AED 3.00	58	●	◀
Rivoli Group L.L.C., Dubai	Retail	AED 24.02	58	●	◀
Rivoli Investments L.L.C., Dubai	Holding	AED 0.30	58	●	◀
Rivoli International L.L.C., Dubai	Administration	AED 0.30	58	●	◀
Rivoli Textiles L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Swatch Group Retail Middle East L.L.C., Dubai	Retail	AED 0.30	49	●	◀
Vision 2000 L.L.C., Dubai	Retail	AED 1.00	58	●	◀
<b>India</b>					
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 3 280.00	100	●	◀
<b>Japan</b>					
Harry Winston Japan KK, Tokyo	Retail	JPY 10.00	100	●	◀
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY 3 700.00	100	●	◀
<b>Malaysia</b>					
Micromechanics (M) Sdn Bhd, Ipoh	Assembly electronic 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>					
Harry Winston N.A. Pte Ltd, Singapore	Retail	SGD 0.00	100	●	◀
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	Assembly electronic components	THB 504.50	100	●	◀
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution	THB 400.00	100	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

## Notes to the consolidated financial statements

### 33. The Swatch Group Companies – as at 31.12.2013

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>America</b>					
<b>Brazil</b>					
SGA Administração de Imóveis SA, Manaus	Administration	BRL 4.92	100	●	◀
SGB Importação e Varejo de Artigos de Luxo Ltda., São Paulo	Retail	BRL 34.80	100	●	◀
SGB Serviços e Comércio de Peças Ltda, São Paulo	Customer service	BRL 45.26	100	●	◀
SMH do Brasil Administração de Bens Ltda, São Paulo	Administration	BRL 27.60	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	●	◀
Harry Winston Inc., New York	High jewelry	USD 0.60	100	●	◀
HiPoint Technology Inc., Colorado Springs	Microelectronics	USD 0.17	25	○	▶
HW Holdings Inc., Wilmington, Delaware	Holding	USD 0.00	100	●	◀
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	●	◀
<b>Mexico</b>					
Operadora y Comercializadora de Relojes y Joyeria SA de CV, Mexico	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	Services, marketing, distribution	USD 0.01	100	●	◀
<b>Oceania</b>					
<b>Australia</b>					
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution	AUD 0.40	100	●	◀
<b>Africa</b>					
<b>South Africa</b>					
The Swatch Group (South Africa) (Proprietary) Ltd, Sandton	Distribution	ZAR 0.00	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 balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 159 to 204), for the year ended 31 December 2013.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

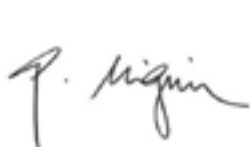
### Report on other legal requirements

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, 25 February 2014

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## Income Statement of the Holding

	Notes	2013 CHF million	2012 CHF million
Income from investments in subsidiaries	(1)	1 636	1 127
Financial income	(2)	114	50
Other income	(3)	416	6
<b>Total income</b>		<b>2 166</b>	<b>1 183</b>
Personnel expense		- 55	- 52
General expense		- 16	- 16
Depreciation and impairment	(4)	- 174	- 21
Interest expense	(5)	0	0
Exchange differences and other financial expenses	(6)	- 12	- 7
Taxes		- 29	- 2
<b>Total expenses</b>		<b>- 286</b>	<b>- 98</b>
<b>Net income</b>		<b>1 880</b>	<b>1 085</b>

## Balance sheet of the Holding

Assets	Notes	31.12.2013		31.12.2012	
		CHF million	%	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents		95	1.7	485	11.7
Marketable securities and precious metals	(7)	347	6.1	557	13.5
Receivables from Group companies		1 640	29.1	484	11.7
Other receivables and accrued income		487	8.6	58	1.4
<b>Total current assets</b>		<b>2 569</b>	<b>45.5</b>	1 584	38.3
<b>Non-current assets</b>					
Property, plant and equipment		10	0.2	9	0.2
Financial assets					
– Long-term loans to Group companies		5	0.1	45	1.1
– Investments in subsidiaries	(8)	3 056	54.2	2 493	60.4
<b>Total non-current assets</b>		<b>3 071</b>	<b>54.5</b>	2 547	61.7
<b>Total assets</b>		<b>5 640</b>	<b>100.0</b>	4 131	100.0

## Balance sheet of the Holding

Equity and liabilities	Notes	31.12.2013		31.12.2012	
		CHF million	%	CHF million	%
<b>Liabilities</b>					
Payables to Group companies		49	0.8	53	1.3
Other liabilities		4	0.1	3	0.1
Accrued expenses		57	1.0	22	0.5
Provisions		90	1.6	127	3.1
<b>Total liabilities</b>		<b>200</b>	<b>3.5</b>	205	5.0
<b>Equity</b>					
Share capital		125	2.2	125	3.0
General reserve		67	1.2	67	1.6
Reserve for treasury shares		268	4.8	343	8.3
Special reserve		3 068	54.4	2 273	55.0
– Profit brought forward		32		33	
– Net profit for the year		1 880		1 085	
Available earnings		1 912	33.9	1 118	27.1
<b>Total equity</b>	(9)	<b>5 440</b>	<b>96.5</b>	3 926	95.0
<b>Total equity and liabilities</b>		<b>5 640</b>	<b>100.0</b>	4 131	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 Swiss 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 are recorded at net realizable values and liabilities at nominal 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>2013</b>	2012
	Dividends	<b>1 565</b>	1 065
	Other income	<b>71</b>	62
	<b>Total</b>	<b>1 636</b>	1 127

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>2013</b>	2012
	Interest income	<b>34</b>	7
	Income and gains on securities	<b>80</b>	43
	<b>Total</b>	<b>114</b>	50

The company recorded capital gains on its investment portfolio of CHF 80 million, of which CHF 48 million resulted from the sale of treasury shares (previous year: CHF 18 million). This figure was partly offset by losses of CHF 7 million (see Note 6).

**3. Other income** The increase in other income in 2013 is due in particular to the successful outcome of the legal case against Tiffany & Co. USA.

**4. Depreciation and impairment** The increase in depreciation and impairment in the year under review is due to extraordinary impairments on loans and investments in subsidiaries.

**5. Interest expense** In 2013 and 2012 interest expense amounted to less than CHF 1 million.

**6. Exchange differences and other financial expenses** The valuation of foreign currency hedging contracts, taken out in favour of the Group's companies, resulted in a loss of CHF 5 million (2012: loss of CHF 2 million). The loss recorded on the marketable securities portfolio, including other financial expenses, amounted to CHF 7 million (2012: CHF 5 million).

## Notes to the financial statements

### 7. Marketable securities and precious metals

(CHF million)	31.12.2013	31.12.2012
Marketable securities	102	174
Treasury shares	225	277
Precious metals	20	106
<b>Total</b>	<b>347</b>	<b>557</b>

The position Treasury 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.

### 8. Investments in subsidiaries

The list of 184 legal entities, including minority investments, held directly or indirectly by the company and consolidated at Swatch Group level, is published in Note 33 of the consolidated financial statements in this report.

Investments in subsidiaries accounted for 54.2% of total assets at 31 December 2013 versus 60.4% at end-2012. In absolute terms, the value of investments in subsidiaries amounted to CHF 3 056 million at end-2013. This amount corresponds to consolidated investments and investments in associates, and is CHF 563 million higher than in 2012.

### 9. Equity

The total value of treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2013 corresponded to 2.4% (versus 2.9% at end-2012) 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 31.12.2012</b>	<b>125</b>	<b>67</b>	<b>343</b>	<b>2 273</b>	<b>1 118</b>	<b>3 926</b>
Allocated in 2013				720	- 720	-
Dividend paid out					- 366	- 366
Transfer			- 75	75		0
Net income for the year					1 880	1 880
<b>Balance at 31.12.2013</b>	<b>125</b>	<b>67</b>	<b>268</b>	<b>3 068</b>	<b>1 912</b>	<b>5 440</b>

Compared with end-2012, equity increased by CHF 1 514 million to CHF 5 440 million in 2013. In percentage of total assets the equity ratio increased to 96.5% at 31 December 2013 (versus 95.0% in the previous year).

#### Share capital

At 31 December 2013, 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
31.12.2012	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2013</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 2013

At 31 December 2013, the Hayek Pool, its related companies, institutions and individuals held 63 266 042 registered shares and 670 bearer shares, equivalent to 40.8% of the shares issued at this date (previous year: 41.3%). 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	-

## 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:

<b>Name/Company</b>	<b>Location</b>	<b>Beneficial owners</b>
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'Ebauches SA et des maisons affiliées	Neuchâtel	–
Various welfare foundations	various	–

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.4% of the shares issued at end-2013 (previous year: 40.8%).

Mrs. Esther Grether's group controlled 7.1% of the shares issued (compared with 7.1% a year earlier).

At 31 December 2013, 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 268 million on 31 December 2013 (previous year: CHF 343 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 2013 as shown in the table below:

<b>Shares held by:</b>	<b>Registered shares</b>	<b>Bearer shares</b>
	Quantity <sup>1)</sup>	Quantity
<b>The Swatch Group Ltd</b>		
Balance at 31.12.2012	5 196 259	505 000
Acquisitions in 2013	17 800	–
Disposals in 2013	– 1 087 763	–
<b>Balance at 31.12.2013</b>	<b>4 126 296</b>	<b>505 000</b>
<b>Other consolidated companies</b>		
Balance at 31.12.2012	480 918	–
Acquisitions in 2013	–	–
Disposals in 2013	– 480 918	–
<b>Balance at 31.12.2013</b>	<b>0</b>	<b>–</b>
<b>Total balance at 31.12.2013</b>	<b>4 126 296</b>	<b>505 000</b>

<sup>1)</sup> of which at 31 December 2013 a total of 1 396 771 registered shares were reserved for the management stock option plan (1 641 734 registered shares in 2012).

### Available earnings

In compliance with the resolution approved at the Annual General Meeting of 29 May 2013, a dividend of CHF 1.35 per registered share and of CHF 6.75 per bearer share was appropriated from available earnings as at 31 December 2012. The total dividend amount paid to shareholders in 2013 came to CHF 161 564 950 on the registered shares and CHF 204 761 250 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 9 304 549, thus constituted an integral part of equity at 31 December 2013. Finally, CHF 720 million was appropriated from available earnings at 31 December 2012 and allocated to the special reserve.

## Notes to the financial statements

### Off-balance-sheet items

#### Contingent liabilities

At end-2013, guarantees provided by The Swatch Group Ltd amounted to CHF 591 600 (compared with CHF 592 600 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 2012).

#### Fire insurance values

At 31 December 2013, the fire insurance value of property, plant and equipment amounted to CHF 35 202 000 (CHF 34 555 000 at end-2012).

#### Assets pledged

None of the company's assets are pledged.

#### Commitments

Other commitments entered into by the company and open at 31 December 2013 amounted to CHF 1 million (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 2013.

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	1 118	392	1 510		5	5	-8	-3	-11
Options	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2013</b>	<b>1 118</b>	<b>392</b>	<b>1 510</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>-8</b>	<b>-3</b>	<b>-11</b>
Total at 31.12.2012	572	385	957	0	2	2	-2	-1	-3

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2013 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2013 relate to 32 positions held in precious metals and in foreign currencies (previous year: 33). Intragroup contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intragroup financial transactions. At 31 December 2013, there was no option outstanding (none in the previous year).

### Liabilities to pension plans

The balance sheet as at end-2013 contained liabilities to pension plans of CHF 279 898 (none in 2012).

### Management compensation disclosures

The disclosures required by the Swiss Code of Obligations on management compensation are shown in Note 31 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:

	2013	2012
	CHF	CHF
Net income for the year	1 880 341 359	1 085 368 123
Profit brought forward from previous year	31 731 285	32 689 363
<b>Available earnings</b>	<b>1 912 072 644</b>	<b>1 118 057 486</b>
Allocation to special reserve	– 1 470 000 000	– 720 000 000
Payment on share capital of CHF 125 210 250.00 of a 2012 dividend, i.e.:		
– CHF 1.35 per registered share with a par value of CHF 0.45		– 167 460 750
– CHF 6.75 per bearer share with a par value of CHF 2.25		– 208 170 000
Payment on share capital of CHF 125 210 250.00 <sup>1)</sup> of a 2013 dividend, i.e.:		
– CHF 1.50 per registered share with a par value of CHF 0.45	– 186 067 500	
– CHF 7.50 per bearer share with a par value of CHF 2.25	– 231 300 000	
Dividends not paid out on own shares held by the Group <sup>2)</sup>		9 304 549
<b>Balance carried forward</b>	<b>24 705 144</b>	<b>31 731 285</b>

<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 29 May 2013, 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 2013.

#### 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 2013 comply with Swiss law and the company's articles of incorporation.

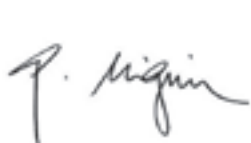
### Report on other legal requirements

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, 25 February 2014

## The Swatch Group Ltd securities

Average number of shares outstanding/ Average share capital	Swiss GAAP FER			IFRS		
	2013 basic	2012 basic	2012 basic	2011 basic	2010 basic	2009 basic
Number of registered shares of CHF 0.45	119 514 584	118 195 194	118 195 194	118 399 729	113 103 548	110 446 207
Number of bearer shares of CHF 2.25	30 335 000	30 335 000	30 335 000	30 335 000	30 335 000	30 335 000
Total average number of shares outstanding	149 849 584	148 530 194	148 530 194	148 734 729	143 438 548	140 781 207
Share capital registered shares of CHF 0.45	53 781 563	53 187 838	53 187 838	53 279 878	50 896 597	49 700 793
Share capital bearer shares of CHF 2.25	68 253 750	68 253 750	68 253 750	68 253 750	68 253 750	68 253 750
Total average share capital	122 035 313	121 441 588	121 441 588	121 533 628	119 150 347	117 954 543
<b>Key data per registered share (nom CHF 0.45) in CHF</b>						
Consolidated net income	7.08	5.91	5.93	4.70	4.05	2.89
Cash flow from operating activities	4.83	3.70	3.70	2.61	5.11	3.39
Consolidated shareholders' equity	35.30	31.77	34.55	29.82	26.77	22.74
Dividend	1.50 <sup>1)</sup>	1.35	1.35	1.15	1.00	0.80
<b>Key data per bearer share (nom CHF 2.25) in CHF</b>						
Consolidated net income	35.41	29.57	29.64	23.50	20.27	14.47
Cash flow from operating activities	24.13	18.51	18.51	13.05	25.55	16.99
Consolidated shareholders' equity	176.52	158.84	172.77	149.11	133.83	113.85
Dividend	7.50 <sup>1)</sup>	6.75	6.75	5.75	5.00	4.00
Stock price of registered shares (adjusted)	High	104.40	80.40	80.40	79.50	78.50
	Low	80.20	59.90	59.90	51.60	50.40
	31.12.	100.40	78.75	78.75	62.60	75.40
Stock price of bearer shares (adjusted)	High	606.50	471.70	471.70	443.70	434.80
	Low	473.00	341.70	341.70	288.50	262.20
	31.12.	589.50	461.20	461.20	351.50	416.80
Market capitalization (CHF million)	31.12.	30 634	23 992	23 992	18 605	22 207
<b>Key ratios (year-end)</b>						
Average return on equity	%	21.2	19.7	18.5	16.8	16.5
Dividend yield registered shares	%	1.5	1.7	1.7	1.8	1.6
Dividend yield bearer shares	%	1.3	1.5	1.5	1.6	1.5
Price/earnings ratio – registered shares		14.2	13.3	13.3	13.3	18.6
Price/earnings ratio – bearer shares		16.7	15.6	15.6	15.0	20.6

As of the beginning of 2013, the financial statements are prepared in accordance with Swiss GAAP FER. For the purpose of comparison with the current period, the previous period is restated.

Securities	ISIN no.	Reuters Symbol
The Swatch Group Ltd registered shares	CH0012255144	UHRN.S
The Swatch Group Ltd bearer shares	CH0012255151	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange

1) Board of Directors' proposal.

### Evolution of the Swatch Group Ltd registered shares and the Swiss Market Index (1988–2013)





HARRY WINSTON



  
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**The Swatch Group Ltd**

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