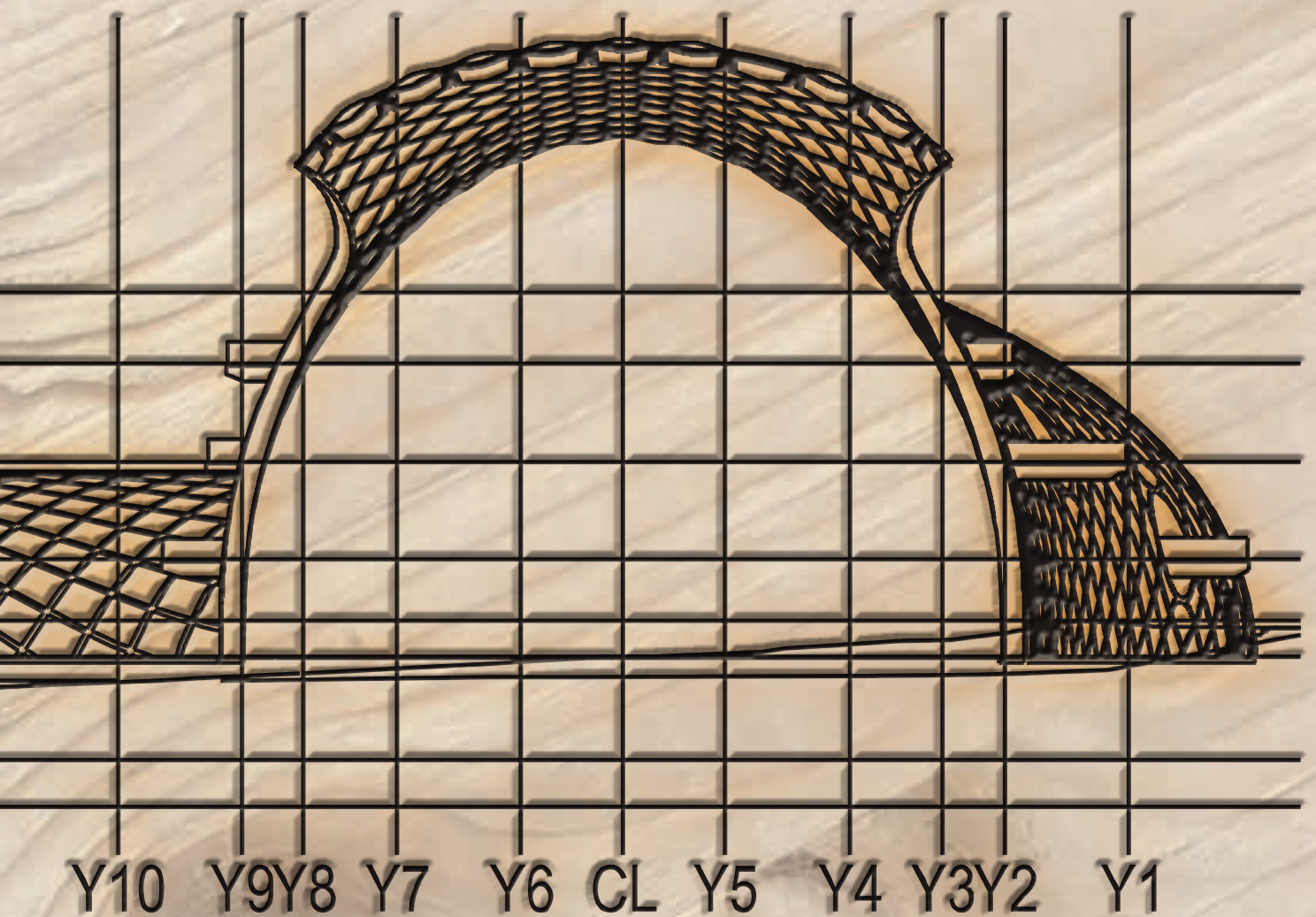


# ANNUAL REPORT 2018







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Swatch Group's Annual Report and Compensation Report are published in French, German and English. Pages 1 to 151 are originally published in French and pages 152 to 230, as well as the Compensation Report, in German. These original versions are binding.



# MESSAGE FROM THE CHAIR



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

I cannot address you without first mentioning what I believe is the highlight of the year: the new building that is the home of Swatch's headquarters in Biel.

The idea? It is at least as old as the brand's success: to offer Swatch a home that does justice to the joy it has given us – and continues to give us – over and over again. Not to mention its role as the flagship in the fight to save Swiss watchmaking in the dark years of the crisis. It is done: Swatch has a roof over its head. This "roof", which is in every respect worthy of the dizzying heights reached by the brand, is – through its shapes and the exceptional technology used to build it – a monument to the glory of creativity. It is one of those incredible contradictions that still works, just as Swatch did in 1983: simple yet highly complex, something completely new, unexpected – a wooden building, like a huge log cabin dreamed up by that six-year-old child inside us that we should never stop listening to. Something, too – and this is very important to me – that is respectful of nature but

without being too didactic or creating a guilty conscience. And it is BEAUTIFUL. We are very proud that the beginning of 2019 will be marked by the inauguration of this extraordinary masterpiece that will survive us all. It is not exactly a cabin, I'll grant you that! Long live Swatch and its new home!

So here we are again, with another year behind us! I have a feeling that these years pass more and more quickly...

This past year has left me with mixed feelings. The first half was brilliant compared to 2017 but it ran out of steam in the second half, especially over the last three months, with a December that didn't leave me looking forward to Christmas. If the year were compared to a composition with three movements, the first semester was *allegro*, the second was *ma non troppo*, and the December finale was *lento*... nevertheless, we remained faithful to our usual orientations and strategic choices, continuing along the path that was defined by our founder, my father. A path that has always led us to success: investment!

A lot of investment! And not only in wood.

We didn't only invest because of our responsibility as a major employer in Switzerland – in fact, did you know that Swatch Group is the largest national employer in the industrial sector? We also invested with a view to consolidating our business – and ultimately, our profits – over the long term. Benefits from which all of you, dear shareholders, will profit this year, as our proposal to the General Assembly, supported by the Board of Directors, is to increase the dividend on bearer shares to CHF 8 and on registered shares to CHF 1.60, up 6.7% compared to last year.

Our business is based on several pillars. One of these is the sale of our products: we must make our watches and jewelry known to the public, entice customers and finally trigger their buying impulses in spite of the great cultural diversity of our potential clientele. It is a science in itself, which we have mastered thanks to our subsidiaries – more than thirty in the world – and their highly motivated and qualified staffs.

These products have to be created and while we live in a world where certain rational and established values continue to be in demand, "novelty" is also of paramount importance. Therefore, our brands, but also our research and development teams, are committed to this mission: they never rest on their laurels, but continue to develop new products and new technologies. In short, to innovate constantly.





This year, among the major innovative successes was the Nivachron™, developed at Nivarox-FAR with great support from the Swatch Group's Executive Group Management Board, but also with high expectations from them. The Nivachron™ will enable us to be the best in the field of anti-magnetism control, a quality that is becoming increasingly important today for our timepieces, which are surrounded by devices whose batteries and magnets produce significant electromagnetic fields that are not very favorable to our delicate movements, especially if they have been produced traditionally. Another example of products with new functionalities is Swatch PAY!, which makes shopping easier in our daily lives. In 2018, we filed 212 new patents – a clear indication that our innovation is not going to end anytime soon!

But this novelty is not limited only to technological factors, even if they fascinate a wide audience, a fascination that now extends well beyond those who qualify as “young people”. It is also a novelty, for example, to be able to personalize your Swatch: a fun moment that allows everyone to be “exclusive” for a reasonable price. Or to remain a loyal Swatch customer even if you are already a grandparent, by treating yourself to an elegant SKIN Irony. What is new in our company goes beyond these examples. I invite you to discover many more by leafing through our 2018 Annual Report.

While investing in communication, marketing, public relations, and research and development is certainly essential, it is not enough. We also need to invest in the most important capital of all for a company like ours: our employees. Aware that any Swatch Group product purchased, whether a watch or a piece of jewelry, is only possible thanks to the involvement of people who unite their efforts to conceive, develop, produce and sell it, we continue – we have always done so, but it is particularly visible this year – to train young people, most of whom find their first job with us at the end of their training period. We continue to hire new employees – 1700 this year, including 1300 in Switzerland. And we maintain and develop our internal training programs to give a solid perspective to all those who decide to be part of our team.

Unlike those who only take into account the figures in the balance sheets but never the human beings behind them, I – as Chair of the Board of Directors of Swatch Group – see all the people behind the numbers that testify to our success. Our employees, our managers, the members of our Management and our Board of Directors are at least as important to me – if not more – than those figures. I would like to take this opportunity to thank them wholeheartedly for their unwavering support and commitment during 2018.

And now the numbers! Figures we can present without blushing! Net sales of CHF 8475 million, up 5.7% compared to 2017 at constant exchange rates; an operating result of CHF 1154 million, up 15.2% compared to the previous year with an operating margin of 13.6% compared to 12.5% in 2017; a net income of CHF 867 million with a net margin of 10.2%, up from 9.5% in the previous year. A very solid result that inspires great confidence in the future.

Finally, with a bit of a wink, I would like to share some information that you will not find in our press releases. Confidentially from the Chair! For our new Swatch building, we used spruce wood almost exclusively. That's in the press release.

What it doesn't say is that spruce is one of the only woods that can be used to make a quality violin. It is the wood that helped establish the reputation of the Stradivarius. And on a Stradivarius, you can play *andante* and *allegro*, but also *vivace*, *allegro*, and even *prestissimo*! In the future, we will therefore abandon the forecasts and expectations of *ma non tanto*, *ma non troppo* and other *grave* or *lento* compositions to concentrate, in the extraordinary space of the new headquarters of our flagship brand, on *vivacissimo* and *fortissimo* symphonies!

*A piacere!* Yours,

**Nayla Hayek**

Chair of the Swatch Group Board of Directors

SWATCH GROUP

# OPERATIONAL ORGANIZATION

as at December 31, 2018

## 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

#### Basic Range

Swatch  
Flik Flak

### RETAILING

#### Tourbillon

#### Hour Passion

### PRODUCTION

#### Watches

ETA  
Meco  
CHH Microtechnique  
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

#### 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 Information Technologies, Swatch Group Corporate Customer Service, Real Estate Development)

#### Swatch Group Immeubles

#### Belenos Clean Power



SWATCH GROUP

# ORGANIZATION AND DISTRIBUTION IN THE WORLD

as at December 31, 2018

## SWATCH GROUP SUBSIDIARIES

<u>EUROPE</u>	<u>AMERICAS</u>	<u>OCEANIA</u>	<u>FAR EAST</u>	<u>MIDDLE EAST</u>	<u>AFRICA</u>
Austria Belgium France Germany Greece Italy Luxemburg The Netherlands Nordic Countries (Denmark, Finland, Norway, Sweden) Poland Russia Spain Switzerland Turkey United Kingdom and Ireland	Canada Mexico USA, Caribbean and Latin America	Australia	China Hong Kong India Japan Macau Malaysia Singapore South Korea Taiwan Thailand	United Arab Emirates	South Africa

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

SWATCH GROUP

# BOARD OF DIRECTORS

as at March 1, 2019



**NAYLA HAYEK**

Chair of the Board of Directors

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**Company Secretary**  
Jennifer Meyer-Kluge

**Auditors**  
PricewaterhouseCoopers  
St. Jakob-Strasse 25  
CH-4052 Basel

**Administrative Headquarters**  
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Fax: +41 32 343 69 11  
E-mail: [www.swatchgroup.com/contactus](http://www.swatchgroup.com/contactus)  
Internet: [www.swatchgroup.com](http://www.swatchgroup.com)

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





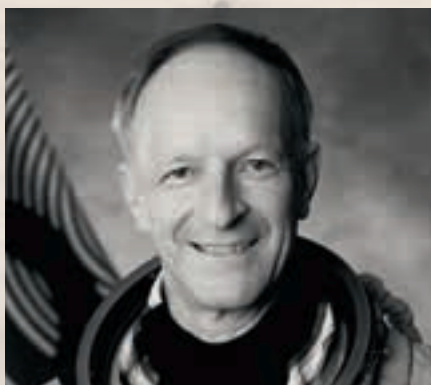
**ERNST TANNER**  
Vice-Chairman



**DANIELA AESCHLIMANN**



**NICK HAYEK**



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



**DR. JEAN-PIERRE ROTH**

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The function descriptions and responsibilities of the Board of Directors members at December 31, 2018 are outlined in the Corporate Governance chapter on pages 155 and 156 of the present Annual Report.

SWATCH GROUP

# EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2019



**NICK HAYEK**

President of the Group Management Board



**FLORENCE  
OLLIVIER-LAMARQUE**



**PIERRE-ANDRÉ BÜHLER**



**DR. MOUGAHED DARWISH**



**MARC A. HAYEK**



**DR. THIERRY KENEL**



**FRANÇOIS THIÉBAUD**



SWATCH GROUP

# EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2019



**RAYNALD AESCHLIMANN**



**MATTHIAS BRESCHAN**



**YANN GAMARD**



**HANS RUDOLF GOTTIER**



**WALTER VON KÄNEL**



**CALOGERO POLIZZI**



**KEVIN ROLLENHAGEN**



**DR. PETER STEIGER**

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2018 are outlined in the Corporate Governance chapter on pages 158 to 160 of the present Annual Report.

## DEVELOPMENT OF SWATCH GROUP

Swatch Group consolidated		2018	2017	2016	2015	2014
<b>Net sales</b>	<b>CHF million</b>	<b>8 475</b>	7 989	7 553	8 451	8 709
– Change from previous year	%	<b>6.1</b>	5.8	– 10.6	– 3.0	3.0
<b>Operating result</b>	<b>CHF million</b>	<b>1 154</b>	1 002	805	1 451	1 752
– As a % of net sales	%	<b>13.6</b>	12.5	10.7	17.2	20.1
<b>Net income</b>	<b>CHF million</b>	<b>867</b>	755	593	1 119	1 416
– As a % of net sales	%	<b>10.2</b>	9.5	7.9	13.2	16.3
– Change from previous year	%	<b>14.8</b>	27.3	– 47.0	– 21.0	– 26.6
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>943</b>	1 264	1 010	1 404	1 848
– As a % of net sales	%	<b>11.1</b>	15.9	13.4	16.6	21.2
<b>Equity</b>	<b>CHF million</b>	<b>11 274</b>	11 289	11 073	11 242	10 674
– As a % of balance sheet total	%	<b>82.5</b>	83.8	84.5	84.7	83.7
<b>Balance sheet total</b>	<b>CHF million</b>	<b>13 661</b>	13 479	13 106	13 270	12 747
Personnel as at 31.12.	Employees	<b>37 123</b>	35 360	35 705	36 313	35 623
Annual average	Employees	<b>36 074</b>	35 057	35 827	35 783	34 492
Personnel expense	CHF million	<b>2 563</b>	2 339	2 342	2 384	2 343

The Swatch Group Ltd		2018	2017	2016	2015	2014
Dividend income	CHF million	<b>1 004</b>	848	1 005	1 055	1 071
<b>Net income</b>	<b>CHF million</b>	<b>995</b>	840	992	1 028	1 074
Investments	CHF million	<b>3 530</b>	3 475	3 422	3 116	3 113
Share capital	CHF million	<b>125</b>	125	125	125	125
Equity	CHF million	<b>7 326</b>	7 100	6 808	6 541	5 928
– As a % of total assets	%	<b>94.3</b>	96.7	95.1	97.5	96.8
<b>Total assets</b>	<b>CHF million</b>	<b>7 768</b>	7 343	7 162	6 707	6 127
<b>Dividend</b> <sup>1)</sup>	<b>CHF million</b>	<b>445</b> <sup>2)</sup>	394	357	403	407
– As a % of share capital	%	<b>356.0</b>	315.2	285.6	322.4	325.6

<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.



# ***SOCIAL RESPONSIBILITY ART & PHILANTHROPY***





# THE RIGHT PLACE AT THE RIGHT TIME: WELCOME TO SWATCH!

Space and time are inextricably linked in the universe. At Swatch, they merge into whole new dimensions. After four years of construction, Swatch is moving into its new headquarters in Biel/Bienne (BE), one of the world's largest wooden structures. Heralding a new chapter in the history of the brand, this building, designed by Japanese architect Shigeru Ban, defies current conventions, just like the watches that will be created there. It opens up unusual perspectives both inside and out, embodying a new way of working, building and thinking. Colorful and transparent, collaborative and sustainable, the Swatch Spirit can be experienced up close here. In fact, Swatch's philosophy has always been based on these elements, along with lightness and movement – all of which are reflected in the architecture of the new headquarters. Curved and shimmering, it blends organically into its urban environment. Together with the neighboring Cité du Temps, it will serve as a meeting place that will attract people from all over the world – all in the spirit of the Swatch brand and of its founder, Nicolas G. Hayek.

## Shigeru Ban

In 2007, Swatch Group had already collaborated with Shigeru Ban on the Nicolas G. Hayek Center in Japan. Born in 1957 in Tokyo, Shigeru Ban is a master of his art, known for his delicate structures and unconventional methods, a visionary who works with almost horological precision. A curvaceous museum in France; a cardboard church in Japan; quickly, inexpensively and sustainably developed accommodation for the homeless and victims of natural disasters: his works attract attention all over the world. They have earned him recognition from many institutions as well as from his peers, culminating in 2014 when he was awarded the *Pritzker Prize*, architecture's most prestigious distinction. In 2010, his design won the Swatch Group's architectural competition for the construction of the new Swatch headquarters, the new Omega Manufacture, and the Cité du Temps. His design for Biel was particularly convincing due to the original yet pragmatic concept as well as his ability to respect the brand-specific spirit for each of these buildings. In addition, he had taken the existing landscape and buildings into account and integrated them into the overall project.





## Architecture

Even from a distance, the shimmering, curved silhouette of the new building catches the eye. The Swatch headquarters is 140 meters long and 35 meters wide. At its highest point, above the Cité du Temps, its façade measures 28 meters. The extraordinary design breaks with the traditional vision of office building architecture, yet blends harmoniously into the urban environment. Its forms awaken the imagination. Is it a futuristic vision or an organic mesh? Is it more reminiscent of a space station or a mythical creature? Swatch leaves the interpretation to each individual. Like a work of art, the interpretation ultimately lies in the eye of the beholder.

### The façade

Extending over a total surface area of 11 000 square meters, the vaulted façade rises gently from the rear of the building to the transition with the Cité du Temps. Both the exterior and interior feature various leitmotifs including curved forms, colors, and transparency. Classical building materials and elements have been put to original use. A timber framework construction supports the expansive façade. The traditional material was chosen not only for its ecological and sustainable properties, but also because it can be processed flexibly and cut with extreme precision – essential properties for a construction whose every millimeter counts. State-of-the-art 3D technology helped to define the exact shape and positioning of the approximately 4600 beams of the timber grid-shell. All are meticulously tailor-made and thus no two of these wooden beams are alike. Each has been perfectly fitted together using a sophisticated plug-in principle and each has a fixed place within the ensemble. Since the timber grid-shell of the Swatch building serves as a large office façade, it also had to meet a wide variety of technical requirements: a complex network of cables is discreetly integrated into its structure. While the wooden structure was being erected, around 2800 honeycomb elements were installed, covering most of the façade. Each element was carefully built from up to 50 individual parts and adapted to its individual function and position. There are three types of honeycomb – opaque, translucent and transparent – with the opaque elements representing the majority. These are generally closed components coated with an extremely weather-resistant and opaque film, which primarily serves for sun protection. Some of these elements can be opened, while others are equipped with photovoltaic cells. The transparent elements are translucent cushion elements that are easy to recognize. For thermal insulation, translucent polycarbonate panels are embedded in the center of the structure. The cushions, which are also able to withstand a heavy load from snow or ice, are constantly lightly ventilated so that they are permanently under tension. Finally, the transparent elements are made of glass. A total of four glass panes were inserted for thermal insulation, with a white roller blind embedded between them. These elements, too, are always lightly ventilated to prevent the formation of condensation.

### The entrance area

Looking out onto Nicolas G. Hayek Street, the entirely glazed entrance area features impressively generous dimensions as well as the sense of transparency, openness and lightness it exudes. While its striking zigzag shape stems from the timber grid frame of the façade, it also plays a role in the building physics, for example in relation to wind loads. This zigzag glazing begins at a height of 5.5 meters and extends some 22 meters into the air. Below the glazing are glass shutters that open and close automatically: they are also adequately insulated glass blinds able to withstand both wind pressure and rain. Two glass elevators and a staircase take employees and guests to the upper floors and to the glass pedestrian bridge on the third floor, which connects the Swatch building with the Cité du Temps. On each floor, the gallery provides a clear view of the spacious and open foyer. The curved wooden structure of the façade extends 27 meters above the heads of visitors who can thus enjoy it with an unobstructed view.

### The interior

Inside the building, a total of 25 000 square meters of floor space is spread over five floors. All of the Swatch brand's departments have found their new homes here. Altogether, up to 400 modern coworking spaces have thus been created. The Swatch Spirit can be felt everywhere in the building. Colorful open-space offices are lined up along the wooden façade, separated only by glass walls. The extensive building services – electricity, heating and cooling, ventilation and sprinkler systems – disappear discreetly behind wall panels, wooden beams or under the carpeted double floors. In the building's inner core are the staircases which, along with numerous meeting rooms and restrooms, connect all five floors. The surface area of the four upper floors decreases successively from floor to floor, while galleries with glass balustrades provide a view of the lower floors. In addition to the regular workplaces, various common areas are distributed throughout the building: a cafeteria on the ground floor, which is open to all Swatch employees and their visitors; small rest areas at various locations in the building; and for moments when privacy is necessary, separate "Alcove Cabins", where up to six employees can retreat for telephone calls or work requiring particular concentration. An especially unusual installation is located at the very rear of the second floor: a staircase that leads to nowhere – the so-called "Reading Stairs" – whose steps and views encourage brainstorming among colleagues during creative breaks.

Wood, the building's leitmotif, is omnipresent, including a symbolic representation with five trees that create a distinctive atmosphere in various parts of the building: *Bucida buceras* are black olive trees originally native to tropical regions and which can grow to heights of up to two stories. These exotic visitors were chosen because their fine evergreen foliage copes well with room temperatures. The fourth and smallest floor by surface area stretches under the vaulted ceiling of the unusual wooden façade. Here, visitors are closer to the "skin of the building" than anywhere else.

The basement seems all the larger in that it extends over the entire length of the building. In addition to the utility rooms, ventilation center and archives, the basement also houses the underground car park, where 170 parking spaces are available for employees, along with a 182-space bicycle parking area and four electric car-charging stations.

**Cité du Temps**

The timber and honeycomb structure of the Swatch building's façade spans Nicolas G. Hayek Street and constitutes the Cité du Temps facing it. It forms an independent architectural unit while perfectly complementing the Swatch building. The curving arcades on the ground floor erase any boundaries between the inside and the outside, yet their lightness is deceptive, since these pillars bear the weight of the entire building. Glass plays a prominent role in this reception area. Convexly curved, individually manufactured wall glazing is embedded between the arcades, reinforcing the impression of permeability and lending additional spaciousness to the surrounding open area. The floors above unite form and function with their angular structure. Here, too, transparency is an unmissable leitmotif. The interior is functional, clean and of high quality and is home, for example, to the Omega Museum and the Swatch Museum, where the past, present and future of the brand converge in this true and worthy "place of time".

The fourth floor Conference Hall is distinguished by its size and its elliptical shape. This oval construction is mounted at an angle of 37° to the building axis and protrudes visibly beyond its flanks. It will be used by Swatch Group for its various brands. Around 1.5 million hand-set mosaic stones are lined up on its external façade featuring a total area of around 700 square meters. Set at irregular intervals, glass stones in all the colors of the rainbow sprinkle the white surface. They can only be found on the side facing Swatch and they represent the playful, cheerful character of the brand, while the pure mother-of-pearl tone on the opposite side reflects the luxurious collection of the Omega Manufacture just opposite.

**Outdoor area**

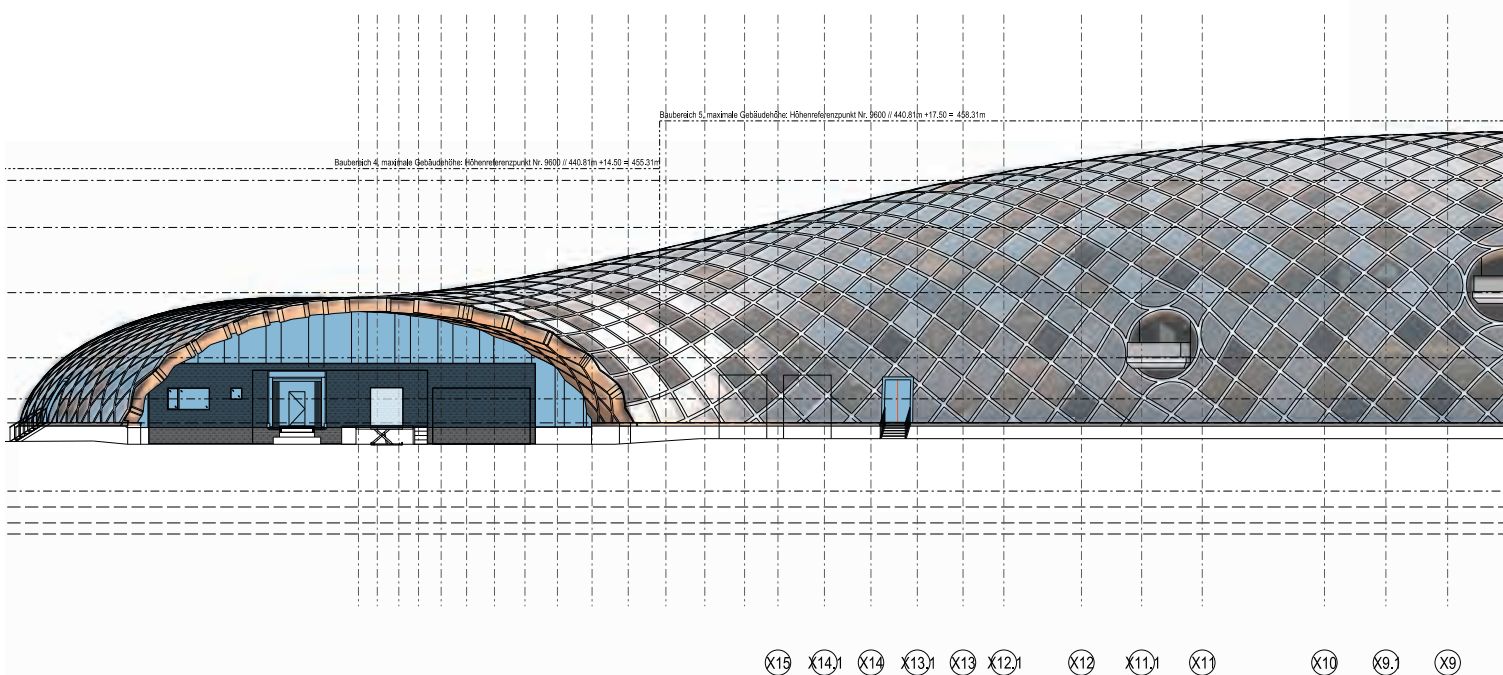
The exterior of the Swatch building is just as open and inviting as the interior. A spacious green area has been created around the new company headquarters, connecting with the city of Biel, its inhabitants and visitors. In the landscaping, the existing, protected tree populations were taken into account and supplemented with new trees and greenery. A total of more than 120 trees have found their new home on the Swatch site. At the southern edge of the Swatch site, as part of the local recreation zone of this district, a picturesque riverside hiking trail runs along the river Schüss.

The place where the Swatch building connects with the Cité du Temps is literally a "meeting point". Green spaces, paths, trees and benches create a park-like ambience. At this point, Nicolas G. Hayek Street is limited to a speed of 30 km/h. Located on the edge of the area, at the corner of Nicolas G. Hayek Street and Jakob Stämpfli Street, the world's first Swatch Drive-In Store has opened its doors. In the pavilion, customers can purchase models from the current collection without getting out of their cars.

**Energy savings, efficiency, renewability**

Special attention was paid to sustainability in the design and construction of this new building. Wood – the natural material that plays a highly visible and literally supporting role – is of fundamental importance here, as are other less obvious forces that are also focused on natural resources and sustainability: clever use of groundwater to heat and cool the building and solar power from the photovoltaic system contribute significantly to an optimal CO<sub>2</sub> balance.

The targets for the energy concept were defined early in the planning process. The principle of energy savings, efficiency, and renewability affect the entire architectural ensemble. The





various resources and options on site were evaluated in detail and analyzed in long-term simulations. This served to create optimal framework conditions for a holistic energy concept setting new standards.

A whole series of facilities and measures between heaven and earth contribute to living sustainability and keeping the climate balance of the new building as neutral as possible. From Velospot bicycle sharing and charging stations to intelligent blackouts and glazing, from LED lights and highly efficient ventilation systems to thermal component activation and paperless offices: thanks to state-of-the-art technology and a great deal of know-how, the Swatch headquarters emphatically – and sustainably – demonstrates that modern construction, just like a modern workplace, can be in harmony with nature.

### Wood

Wood is a sustainable building material that can be produced under ideal conditions in Switzerland with its fertile soils. Around a third of the country is covered with forest. Each year, 10 million cubic meters of wood grow in the country's forests, of which around five million cubic meters are used.

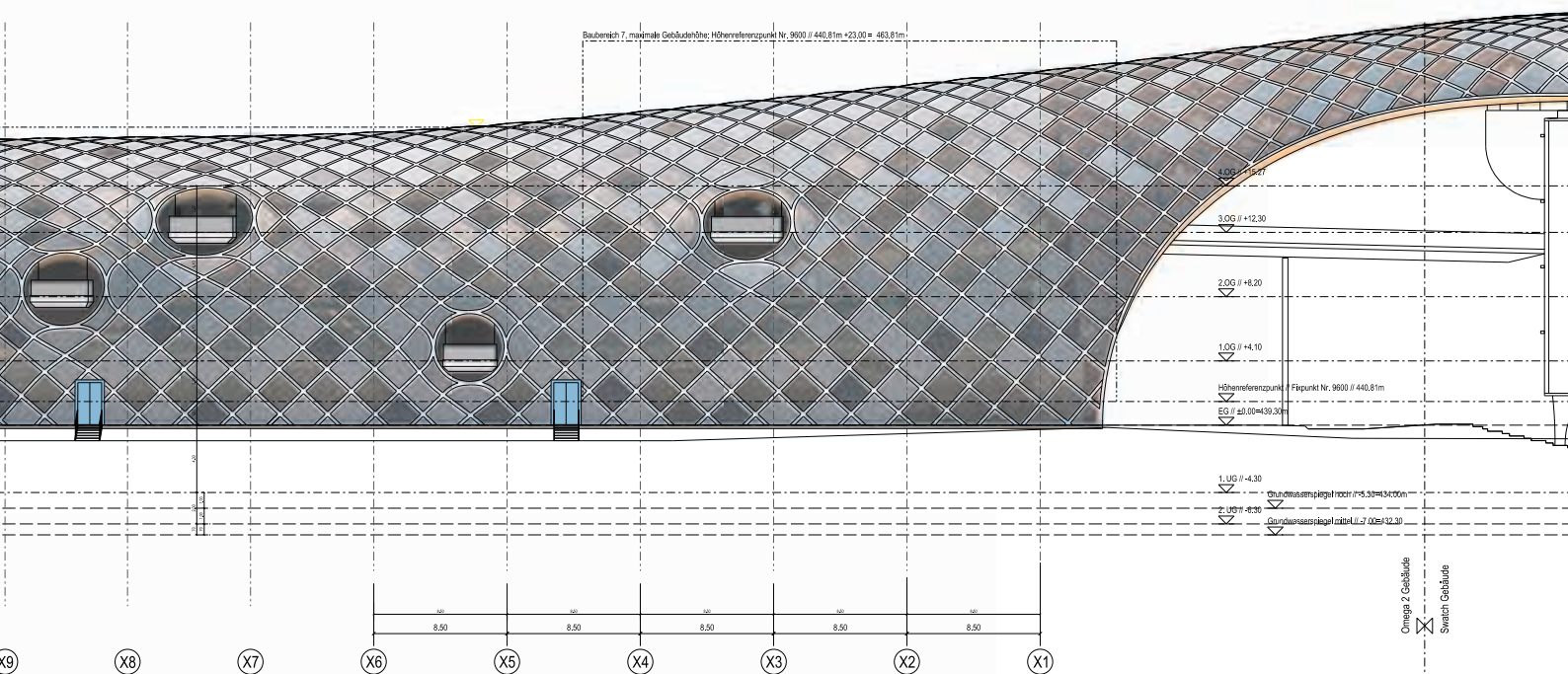
Only wood from Swiss forests was used in the construction of the Swatch building, most of it spruce. A total of just under 1997 cubic meters of wood was needed – a quantity that grows back in the national forest in less than two hours. The impact of the choice of this building material is all the more sustainable in that the wood used for the Swatch building has served to eliminate a total of around 1847 tons of CO<sub>2</sub> greenhouse gases from the environment, either by absorbing them in the form of carbon or storing them in the wood during its growth phase. By way of comparison, the wood used in the building stores an amount of CO<sub>2</sub> equivalent to around 1000 cars with an average annual mileage of roughly 15000 kilometers.

### Water and sun: an interactive synergy

The energy concept of this construction is based on solar technology and groundwater use, which enables the ventilation, cooling, heating, and basic lighting to operate autonomously, without external energy sources, for both the Swatch and Cité du Temp buildings.

### Water

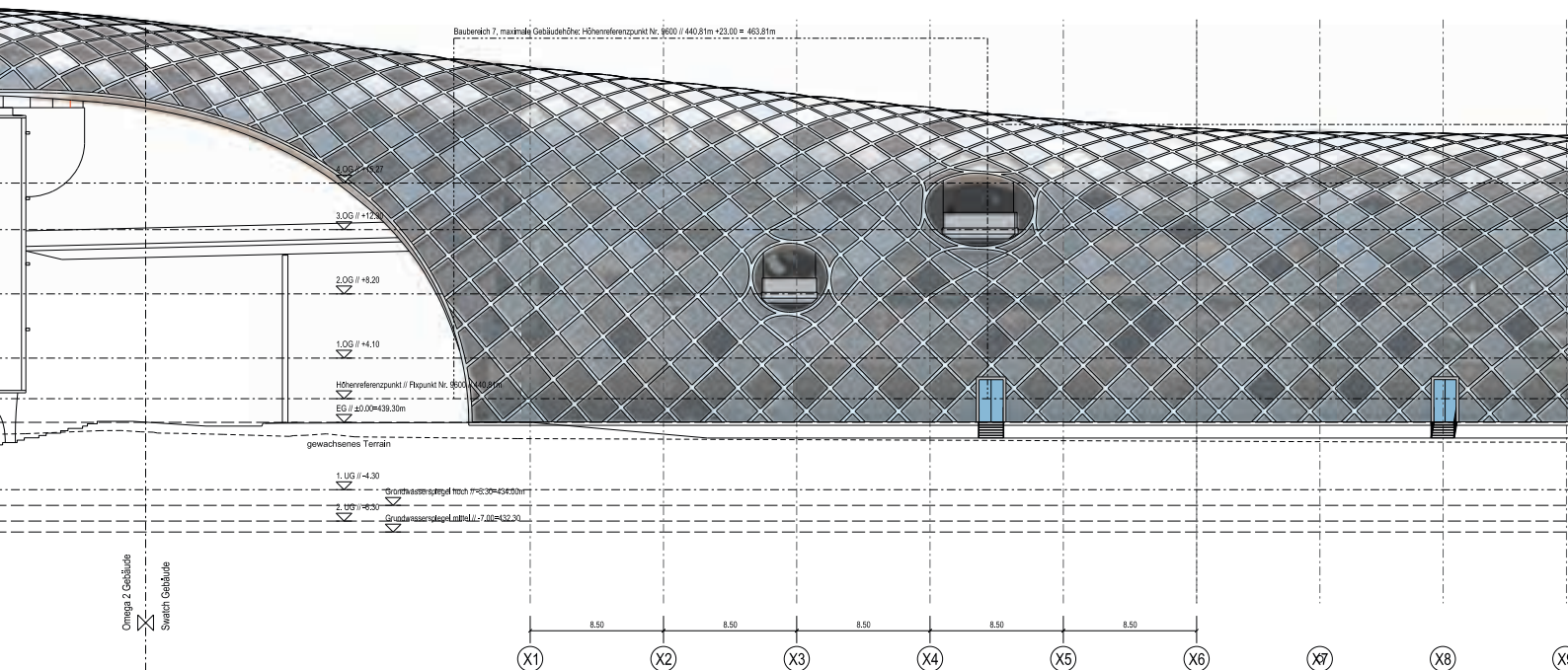
The groundwater use concept, which ensures the heating and cooling of the new Swatch building, is based on a sophisticated system of exchange and storage. It uses local geothermal conditions and takes local infrastructure into account. Swatch shares resources with neighboring Cité du Temps and the new Omega Manufacture, which opened in 2017. A total of nine underground wells are distributed throughout the site. The facility also includes two former oil tanks, which have been converted into huge water reservoirs. For the cooling process, cold water is first pumped from a well into the cold-water tank; from there, it reaches the heat exchanger in the building, where the cold is extracted and contributes to the cooling of the building via cooling ceilings and ventilation. Meanwhile, the heated water is fed to the hot-water storage tank, where it is made available to the buildings on the site for heating if required. With this ingenious principle, the new building uses local resources and thus becomes part of the natural water cycle.



**Sun**

The complex energy cycle that connects the buildings with the subsoil also extends into the sky. And it's not only the pumps in the wells that draw their electricity from the photovoltaic panels. For their planning, the expected electricity requirement including all building functions such as ventilation, cooling, heating or basic lighting was calculated in advance. For the implementation, it was possible to use state-of-the-art technology. A total of 442 individually-produced curved solar elements were inserted into the honeycomb structure. In-house technology was used for the inverters.

The 1770 square meter photovoltaic installation will enable Swatch to generate around 212.3 MWh of electricity per year, which corresponds to the average annual consumption of 61 households. This means a savings potential of 30 tons of CO<sub>2</sub> per year. With this amount of electricity, an electric car could travel 1061250 km, around 26 times around the world. The driver could then arrive in Biel in a relaxed state and recharge the car at one of the charging stations in the Swatch underground car park.





## FACT SHEET

- > Wood used in the construction: **1997 m<sup>3</sup>** of 100% Swiss exclusively from Swiss forests
- > Number of wooden elements: **4600, 11 000** running meters of timber beams
- > Façade elements: **2800**
- > Time required for the amount of wood used to regrow in Swiss forests: **2 hours**

1997 m<sup>3</sup>

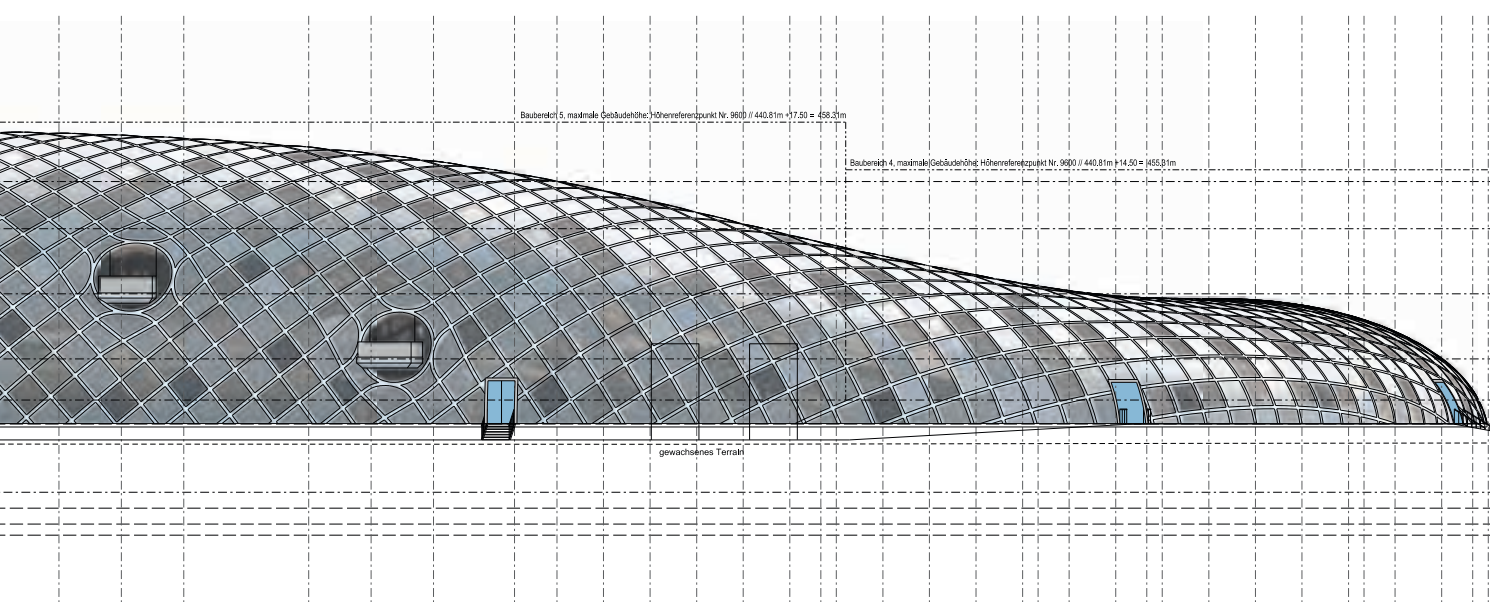


- > Total floor area of the entire building: **25 000 m<sup>2</sup>**
- > Total façade area: **11 000 m<sup>2</sup>**
- > Honeycomb types: **3** (opaque, translucent, transparent) with different variants
- > Number of Swiss crosses in the façade: **124**
- > Number of parts per façade element: **50**
- > Building length: **140 m**
- > Building width: **35 m**
- > Building height: **28 m**
- > Height of the reception area: **27 m**
- > Number of floors: **5**
- > Number of possible open coworking spaces: **400**
- > Weight of one of the glass doors at the entrance: **1 ton**
- > Mosaic area: **700 m<sup>2</sup>**, approximately 1.5 Mio mosaic tiles

- > Photovoltaic area: **1770 m<sup>2</sup>**
- > Number of convex solar elements: **442**
- > Annual production of electricity generated by the photovoltaic plant: **212.3 MWh**
- > CO<sub>2</sub> savings: **30 tons** per year thanks to the photovoltaic plant (difference between solar power and the Swiss electricity mix)
- > Distance that could theoretically be covered by an electric car per year thanks to the photovoltaic system: **1061250 km**

- > Bicycle parking spaces: **182**
- > Velospot stations (bicycle sharing system from the city of Biel): **10**
- > Charging stations for electric cars: **4**

- > Ratio of CO<sub>2</sub> emissions of wood compared to other structural systems:  
Wood **1**/Concrete **1.9**/Steel **2.8**



X9 X9,1 X10 X11 X11,1 X12 X12,1 X13 X13,1 X14 X14,1 X15

# ART & PHILANTHROPY



Keenly aware of its social responsibility, Swatch Group is committed, both directly and through its 18 watch brands, to a plethora of causes and projects around the world. Art is likewise a field of philanthropic expression for the company. Here is a non-exhaustive list of concrete examples.

**Breguet** has announced that it is becoming the main partner of Race for Water, a foundation dedicated to water conservation. This association was unveiled in March at Baselworld through an exhibition dedicated in the presence of Marc A. Hayek, President of Breguet and Marco Simeoni, President and Founder of Race for Water. Breguet and Race for Water have signed up for an odyssey that will last until 2021. The Race for Water Foundation supports scientific research on the ecological balance of the seabed. It has joined forces with Breguet to raise public awareness of the need to preserve the oceans, which are threatened by plastic pollution. A revolutionary ship has set off on a journey around the world to promote innovative solutions for transforming plastic waste into energy resources.

**Harry Winston** continued its tireless commitment to society by supporting local causes through *The Harry Winston Brilliant Futures™* charity program. The brand also reiterated its support for the Harlem Academy in New York. This independent school offers opportunities to promising students from disadvantaged backgrounds who would otherwise be at risk of being left behind. Harry Winston House was also proud to support the San Francisco Conservatory of Music (SFCM) on the occasion of its centenary. The SFCM is the oldest independent conservatory in the western United States. It has acquired an international reputation for its excellence in the education and training of the great musicians who have graduated from it. The SFCM places particular emphasis on service to people in distress. In Japan, Harry Winston continued to support Chance for Children, providing children in need with access to vitally important educational programs.

The exploration and preservation of the oceans has always been a key concern for **Blancpain**. Throughout the 65-year history of the Fifty Fathoms collection, the brand has forged close links with explorers, photographers, scientists and environmental specialists who are aware of the inestimable value of these precious resources. In recent years, the *Blancpain Ocean Commitment* (BOC) has been involved in oceanographic initiatives and partnerships with renowned institutions such as the *Pristine Seas* expeditions, Laurent Ballesta's *Gombessa* project, and the annual *World Ocean Day* at United Nations Headquarters in New York. The *Blancpain Ocean Commitment* also includes the sponsorship of the World Ocean Summit organized by *The Economist*, an informal meeting of global decision-makers designed to open up new perspectives in ocean protection. The 5th Summit was held in March 2018 in Riviera Maya, Mexico. It marked the beginning of a new phase in the cooperation between Blancpain and *The Economist* with the launch of the World





Ocean Initiative and *The Protectors* program. The latter consists of supporting six individual projects aimed at protecting the world's waters.

In the seventh year of its partnership with the Berlinale, the Saxon manufacturer **Glashütte Original** once again awarded the *Glashütte Original Prize*, this time to the Austrian documentary *Waldheims Walzer* by Ruth Beckermann. As part of the 15th anniversary of the Dresden Music Festival, the brand also paid tribute to opera singer Joyce DiDonato, who is involved in various social projects.

The preservation and enhancement of the Neuchâtel region's watchmaking heritage has always been a core concern for **Jaquet Droz**. The project to restore the Singing Bird Clock in col-

laboration with the Automates & Merveilles Association was completed at the beginning of the year and kicked off a travelling exhibition in several museums in the region.

Since 2011, **Omega** has proudly supported Orbis International in its fight against preventable blindness around the world. By travelling aboard its Flying Eye Hospital in some of the most remote areas of the world, Orbis International acts very effectively on behalf of this highly valued cause.

In 2018, **Longines** confirmed its involvement in the charitable activities of JustWorld International, which works to help children in difficulty in Cambodia, Guatemala and Honduras. This organization funds its basic education, nutrition, health and hygiene, and cultural development programs with the support of





the international equestrian community. Based on the proven fact that education in the world is one of the keys to breaking the cycle of poverty, JustWorld International focuses its efforts on places where public education is limited or inaccessible. Longines also organized a prestigious charity gala in honor of Stefanie Graf and Andre Agassi, with whom the brand celebrated ten years of partnership in 2018. During the evening, Longines officially launched an auction of exclusive Conquest V.H.P. Stefanie Graf & Andre Agassi Foundation watches in support of two charitable associations, Children for Tomorrow and the Andre Agassi Foundation for Education.

In October, **Rado** awarded the *Rado Star Prize* in Taiwan to Cater Tan, who discovered a creative way to reuse polystyrene, a material that is difficult to recycle.

**Certina** continued to support the Sea Turtle Conservancy and its *Tour de Turtles* to observe the migration routes of marine turtles. Certina also sponsored a leatherback sea turtle called *Certina*, equipped with a satellite tracking system, which was released in July. The brand is also proud to participate in the protection, education, research and training activities undertaken by the organization in the Caribbean and beyond.

Associated with the Chongqing Youth Development Fund in China, **Mido** provided compassionate care to hundreds of students at Fuhuan Primary School in Qijiang Urban District. The brand donated dozens of pieces of sports and painting equipment items. In addition, a Mido library was built.

The film theme continued its winning run with **Hamilton's** biggest event of the year, the *Hamilton Behind the Camera Awards*, which celebrated its tenth edition in November.

At **Swatch**, there were countless art-related activities, including an exhibition of works by several artists in residence at the Swatch Art Peace Hotel in Shanghai which highlighted the Mickey Mouse birthday celebrations. Collaboration with the local artistic community also continued, in particular with the Power Station of Art.



**BIG BRANDS**  
**WATCHES AND JEWELRY**  
**RETAILING AND PRESENCE**



swatch+

# PICK A DESIGN, MAKE YOUR SWATCH

## TRENDS

2018 saw powerful affirmation of the customization trend: more and more customers enjoy creating and proudly sporting their own interpretations of their favorite brands. Swatch launched the second generation of Swatch X You, an interactive analog/digital program offering customers a new and emotional way to connect with the eponymous Swiss made “style signifier”. Navigating a world of designs, customers create their own unique model, personalizing even the caseback. Customization also led to the development of unique Swatch store designs: from Hong Kong to Naples, Tokyo and Madrid, the brand explored new, creative and fun languages, making every store experience unique.

The watch market has revealed a new passion for classics: products with a refined and sleek look recreate a love story with a generation excited to find a mirror of its desire for the essential. Swatch SKIN Irony, supported by a dynamic, stylish and very visible advertising campaign, was the success story of 2018 around the world.

The magic of collaboration is a contemporary way to cross-fertilize, inspire, surprise and innovate, all concepts Swatch loves. Swatch X Hackett and Swatch X Thyssen-Bornemisza Museum (realized within the highly interactive and engaging program Swatch Cities, Madrid) were highlights of 2018, creating a Swatch presence among lovers of a British dandy style and of classic arts revisited.

## CREATION

Consistent with its history and passion for the arts, at the Swatch Art Peace Hotel in Shanghai, Swatch presented the special edition Swatch X Damien Hirst in celebration of Mickey Mouse’s 90th anniversary. A limited edition with a real pop soul, Spot Mickey sold out in record time across the world, reaching amazing estimates in the online collectors’ market.

The collaboration between Swatch and Art also went down new paths with the launch of a new concept aiming to bring a twist to iconic masterpieces from top museums around the world. Initiated with the Rijksmuseum in Amsterdam, the program has already expanded brilliantly to the Thyssen-Bornemisza Museum in Madrid, with more institutions set to come on board shortly. In Fall Winter’s Worldhood, Think Fun and Deep Wonder collections, the essential design, enhanced by perfect colors for the season and unexpected material finishes, and embellished by sparkling crystal details, were particularly successful and enjoyed unanimous acclaim.







swatch<sup>®</sup>  
SWISS MADE



SKIN  
IRONY





## PRESENCE

### Retail and Sales

Swatch continued to extend value, quality and excellence throughout its physical and online distribution networks. Highlights include London's Carnaby Street store, where the brand's street style fashion, colorful personality, provocative spirit and vibrant DNA fit right in, a new concept in Paris at the re-opened Place de l'Opéra store, and a first pop-up Swatch store in London's St. Pancras train station, which sees a million commuters a week. Equally noteworthy were store openings in Bern, Lausanne, Bangkok, Hangzhou (China), Hong Kong and online partnerships with fashion retailers Asos in Europe, Zappos in the US and Zalora in Southeast Asia. A key launch in 2018 introduced the new SKIN Irony collection, with its perfect match of classic lines and contemporary contrasts. Innovation continued to drive creativity with Swatch X You Evolution delivering a master class on the ultimate level of customization. High-profile partnerships allowed core brand values to be amplified in new forms, emotions and artistic fashion.

Swatch e-commerce, marketplace and omnichannel expansion and online Swatch sales saw strong growth again in 2018, driven by continuous optimization of the on-site customer experience, online-focused product launches, increased investment and continuing optimization of digital marketing and expansion to additional markets including Denmark, Norway, Finland, South Korea and South Africa. Key launches of the next generation of Swatch X You and the Mickey Mouse 90th anniversary Art Special formed a strong foundation for continued growth in 2019.

As the retail world continues to evolve at a breathtaking pace, the brand's strategic focus is to provide a seamless integration between online and offline distribution. A project in Paris introduced store digitalization and an "endless aisle", allowing customers to access the full range of products by using tablets or in-store digital screens. The digitalization of retail space has proved to be a powerful way to engage with customers and will see rapid expansion in 2019. Development via third-party online distribution was a big driver in 2018 with consolidation of brand presence on existing platforms like Tmall in China and Zalando in Europe.





### **Around the World**

2018 saw the May launch of SKIN Irony generate extensive international coverage for several months. The new collection showcased the brand's unique thin design in a metal watch. A great many markets around the world held creative and entertaining SKIN Irony press/launch events, while new store openings, renovations, and retail partnerships (online and off) continued to strengthen distribution worldwide.

### **Swatch & Art**

#### **Swatch at 35 with Ugo Nespolo**

Celebrating 35 years of art, creativity and irrepressible joie de vivre, Swatch welcomed Ugo Nespolo to the Cité du Temps in Geneva, Switzerland for the opening of *Numbers*, a unique exhibition showcasing the renowned Italian artist's fascination with numbers. The solo show with more than 30 artworks presented a great variety of colorful, large-scale paintings, tapestries and prints exploring the diverse roles that numbers play in different cultures around the world. Nespolo's signature style was at the core of several successful Swatch Art Specials in the 1990s, and in Geneva he presented Swatch Ugo, a playful new Special in a limited and numbered edition of 3535 pieces.

#### **Festival Locarno**

In August the 71st Locarno Festival saw Swatch present two prizes to emerging filmmakers, the *Swatch First Feature Award*, and the *Swatch Art Peace Hotel Award*, which offers the winner a stay at the renowned Shanghai artist residency.

### **Swatch Cities, Madrid**

October in Madrid brought Swatch Cities, a week-long event aimed at providing visibility and support to young creatives and contributing to their artistic development. Swatch worked with local and Madrid-based protagonists including urban art group Boa Mistura and the Thyssen-Bornemisza Museum for Swatch Specials unveiled during the event.

### **Time to Art in Milan**

Swatch took over Milan's prestigious via Montenapoleone for a week in April with its *Time to Art* exhibit, organized under the generous patronage of the Municipality of Milan. The internationally renowned luxury shopping street became the set for a promenade through the highlights of 35 years of Swatch's love for the arts. The fun, surprising, colorful retrospective, held in the neighborhood of Italy's very first Swatch store, saw two former Swatch Art Peace Hotel residents participating onsite with oversize showcase installations. Stefano Ogliari Badessi welcomed visitors into a surrealistic universe connecting time, art and people, while Xepo W.S. ran a temporary photo studio where anyone who wished could have their portrait taken and become part of the *Faces of Milan* project. 23 students of renowned Milan-based Istituto Europeo di Design (IED) and their teacher Massimo Giacon painted on twenty-four Maxi Swatches displayed in the courtyard of the Montenapoleone Lounge next to the Swatch store. Every day for the week a blank Swatch canvas was made available for the public to design, paint, decorate.







## ITS

ITS 2018 was the 16th edition of a unique contest for young fashion, jewelry and accessory designers. Eight finalists from seven countries were invited to the ITS Artwork contest on June 27 in Trieste, Italy. The awards ceremony brought an unexpected thrill for one of the finalists, who won the chance to fly to Shanghai to work on a creative project while staying at the Swatch Art Peace Hotel. In addition, the *Swatch Award*, which includes a six-month paid work experience at the Swatch Lab in Zurich, was presented to an up-and-coming Finnish fashion designer. The partnership between Swatch and ITS provides a platform for young creatives to be discovered: several previous winners now work at the Swatch Lab in Zurich.

## Art Special

Swatch collaborated with Justine Smith for Colourshift, a new Swatch Art Special. In her work the British artist makes use of banknotes to create a strong connection with her audience, exploring the concept of money and how it touches almost every aspect of our lives: "For me, it is like working with an elemental force which impacts upon all of us in a political, social and moral level. A banknote can be seen as a little piece of propaganda, a cipher portraying specific aspects of a given state." Colourshift was inspired by bitcoin codes, and engages with the ongoing shift from physical to digital currencies.

## Swatch Art Peace Hotel

An in-house exhibition of work by a number of artists-in-residence augmented the Mickey Mouse anniversary celebrations. Collaboration with the local arts community continued, in particular with Power Station of Art and the *Emerging Curators Project* or the Shanghai Biennale.

## Advertising

### It's Time to Swatch

Already in its second year as official partner of the global, professional drone racing circuit, The Drone Racing League (DRL), Swatch is fully committed to this futuristic sport and has dedicated a new TV ad campaign to drone racing. From zero to 120 km/h in under a second, sharp three-dimensional curves, spectacular crashes without any injuries, and always-surprising finishes: the trendy sport of drone racing combines a number of aspects that no other racing sport has managed to achieve to date. Drone pilots are the new heroes!

## SKIN Irony

After the success of the New SKIN, launched in 2017, Swatch pushed this product line to the next level with the SKIN Irony collection. It was supported by the strong #FutureClassic 360° campaign expressing a contrast between classic and modern, between elegant and stylish, between light and tough. The campaign played with the beauty of classic statues merging with real people in a very fashionable way.

## Digital and Social Media

For digital/social media the brand, now clearly installed in the influencer environment, continued activating creative minds throughout the full year, with a focus on SKIN Irony and Swatch X You. Thanks to monitoring by a social media listening tool Swatch was able to fine-tune this communication and bring additional topics of interest to its audience.

## #SwatchThis

Inspired by eclectic Spring-Summer designs, Swatch encouraged customers to express themselves and contribute to brand communication as a call to live in the moment, to be authentic and to embrace things that shatter monotony. The social media call to action #SwatchThis is all about taking a moment to twist and transform into a "Swatchy" moment. It's all about fun, unexpected situations and differentiation and is a perfect tool and frame for talking to new generations.

## Swatch Club & CRM

Club International events in 2018 included the launch of Club limited/numbered and Ugo Nespolo watches in Geneva, a very exclusive SKIN Irony event in Sion (VS), the Gold & Pioneer event in Gruyères (FR) and an amazing Club Holiday in Athens. The Swatch Club will continue to develop a strong marketing mix program including local and international events, digital campaigning with ticketing and contests and targeted campaigns.

## Sport

The year started with the search for the new Swatch Pilot during the international Swatch Drone Racing League (DRL) Tryouts. The race took place in New York with a year's contract as official DRL pilot going to the fastest gamer on track. The DRL's second year brought a season full of unexpected results thanks to the Swatch Gate, a new obstacle that put drone pilots' skills to the test. New partnerships in surfing and skateboarding were highlights in the second half of the year. More than 700000 fans cheered their favorite surfers at the Vans US Open of Surfing by Swatch in Huntington Beach. Swatch Proteam's Courtney Conlogue won the contest in front of her home crowd. Swatch's return to skateboarding brought a new face to the Proteam, Nora Vasconcellos, and a new partnership with Vans Park Series Pro Tour. The finals in China allowed the brand to connect with young, active and creative communities around Suzhou, near Shanghai. Throughout the year, unique stories featuring Proteam athletes reinforced the brand presence online.



# A BRAND CREATING HISTORY



## TRENDS

While the history of Omega is renowned and celebrated, it is clear that the brand is still thinking forward and constantly building its modern identity.

This was truly evident in 2018 in the brand's watchmaking. The new Trésor, worn by the young ambassador Kaia Gerber, brought fresh style to women's watchmaking, while the popular Seamaster Diver 300M was reborn with the most modern materials and movements.

In sport, Omega not only timed the PyeongChang 2018 Olympic Winter Games, but it was also on hand in Buenos Aires for the Youth Olympic Games, where the talent of tomorrow began their sporting dreams.

There were also some official welcomes for dynamic new ambassadors, including the sailors Peter Burling and Blair Tuke and the golfer Tommy Fleetwood.

Perhaps the most symbolic example of Omega's historic and progressive spirit was the creation of the First Omega Wrist-Chronograph Limited Edition. This project took 18 original movements from 1913 and refurbished them for a new lease on life. A great way to show how Omega itself is creating new history every day.











## CREATION

### Seamaster Diver 300M

Marking the 25th anniversary of the Seamaster Diver 300M, Omega unveiled a complete makeover of the iconic collection in 2018. Every detail of the design was rethought, including the new ceramic dials with laser-engraved waves and a reshaped helium escape valve. Inside, the pieces were upgraded with Master Chronometer movements, taking the famous collection into a higher realm of precision and performance.

### Trésor

Furthering Omega's reputation in women's watchmaking, the new Trésor collection arrived in 2018. The timepieces perfectly balance classic elegance with a modern edge, and are distinguished by their thin cases, curved diamond paving and a colorful selection of dials and straps. Each crown also features a single diamond and a flower in red ceramic, while the decorated mirror on the caseback adds a wonderful finishing touch.

### Speedmaster Speedy Tuesday "Ultraman"

The second-ever Speedy Tuesday watch went on sale in 2018 and all of the 2012 pieces sold out in just 1 hour, 53 minutes and 17 seconds. This year's model was based on the Omega Moonwatch that was worn in the 1970s Japanese TV series *Return of Ultraman*. The highlights of the new Speedy Tuesday included the distinctive orange seconds hand, a black and orange NATO strap and several special features on the subdials.

### Speedmaster "Dark Side of the Moon" Apollo 8

50 years after Apollo 8 made history's first journey toward the moon, Omega paid tribute to the mission with a new "Dark Side of the Moon" timepiece. This black ceramic watch features Omega's famous Moonwatch movement, which has been blackened and laser-ablated to depict the near and far sides of the lunar surface. To display the special caliber, the dial of the watch has been expertly skeletonized, allowing Speedmaster fans to truly wear the moon on their wrists.

### Five Year Warranty

In its continuing quest to raise industry standards, Omega proudly increased the warranty period on all of its timepieces to five years. The decision followed significant progress within the company over the past several years, including the revolutionary arrival of Master Chronometer certification and the building of the new factory.

## PRESENCE

### Sports Presence

#### Olympic Games

For the 28th time since 1932, Omega fulfilled the prestigious role of Official Timekeeper at the Olympic Games. This year, the brand was at PyeongChang 2018, recording the dreams of the world's best winter athletes. Highlights included three world records, 25 Olympic records and Omega's new motion sensor technology, which was able to provide continuous measurements of each event from start to finish.

In October, the action continued at the Buenos Aires 2018 Youth Olympic Games. Omega arrived with 80 tons of equipment and 235 timekeeping professionals to complete the job and also brought its advanced technologies for new sports such as climbing and roller speed skating.

#### Sailing

The Volvo Ocean Race continued in 2018 and Omega was on the water as the event's Official Timekeeper. When the boats stopped in Newport, USA, at the end of the eighth leg, the brand also unveiled its winner's watch – a Seamaster Planet Ocean Deep Black "Volvo Ocean Race" Limited Edition. The 45,000 nautical mile race ended in The Hague in June, with Omega presenting the watch to the winning Dongfeng Race Team.





## Golf

The golfing year began with a dramatic Omega Dubai Desert Classic in January. Later in August, Omega was on the course as the Official Timekeeper of the 100th PGA Championship at Bellerive Country Club. To begin the week, ambassadors Sergio Garcia, Rory McIlroy and Tommy Fleetwood celebrated by attempting an exact 100-yard shot at the iconic Gateway Arch National Park.

The Omega European Masters was contested in Crans-Montana (VS) in September and the tournament was coupled with the second Omega Celebrity Masters.

When the historic Ryder Cup golf tournament was contested in Paris this year, Omega was the choice of the Ryder Cup USA team and released a Seamaster Aqua Terra "Ryder Cup" timepiece in the USA that embraces the colors of the competition's logo.

Rory McIlroy then joined Omega on the Top of Europe in October to compete in a special challenge against three young golfers on the Jungfraujoch (BE).

## Other Sport Events

In addition to these busy commitments, Omega played other vital roles, including title sponsorship of the Omega Dubai Ladies' Masters in golf. The brand also served as Official Timekeeper at the IAAF Diamond League and the FINA Swimming World Cup and Swimming World Championships. In skeleton and bobsleigh, Omega timed the IBSF World Cup and World Championships, and also gave a special group of celebrities their own fast-paced experience down the 1722 meter track in St. Moritz (GR).

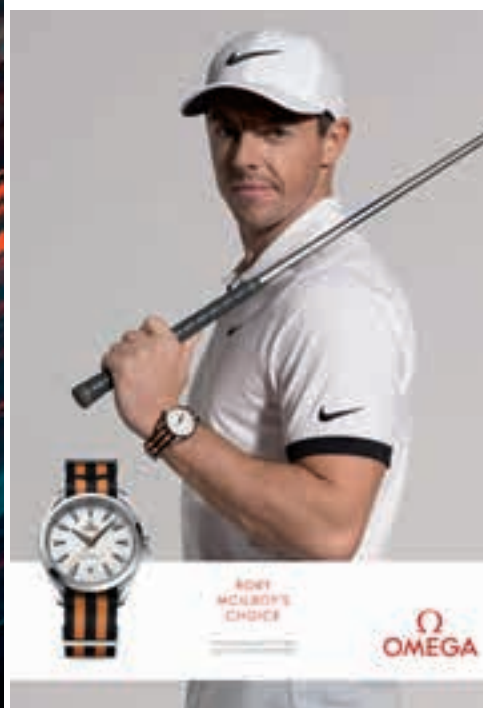
## Lifestyle Presence

### Trésor in Berlin

For the launch of the Trésor in May, Berlin's Kraftwerk was transformed into an industrial-style space filled with light, music and magic. The event was attended by Kaia Gerber, an ambassador with her own unique take on luxury and fashion.







### Night at the Museum

The "First Omega Wrist-Chronograph Limited Edition" was proudly launched at the brand's Museum Night in Biel/Bienne (BE) in July. As well as hearing from some very special speakers, guests were treated to the first glimpse of the 18 new watches – with each one housing an original and refurbished 18" CHRO caliber from 1913.

### Her Time in St. Petersburg

In August, screen legend Nicole Kidman joined Omega at the luxurious launch of the *Her Time* exhibition in St. Petersburg. The touring showcase of women's watchmaking was celebrated with signature Omega style at a special event at the city's Marble Palace and displayed an exquisite selection of ladies' timepieces from throughout history.

### Iconic Ladies in Shanghai

It was an evening of true star quality, as Omega launched its new Constellation "Manhattan" collection at a spectacular event in Shanghai in October. *The Iconic Ladies Evening* welcomed ambassadors Cindy Crawford, Nicole Kidman, Alessandra Ambrosio and Liu Shishi as the glamorous guests of honor – each representing the beauty, sophistication and excellence that the Constellation collection is known for.

### Elvis Auction

An Omega timepiece belonging to the legendary performer Elvis Presley was sold for 1.5 Million Swiss francs at the Geneva Watch Auction: Seven, by Phillips. After a lengthy and competitive round of bidding, the Omega Museum in Biel/Bienne (BE) became the proud new owner, paying a world record for any Omega watch ever purchased.

### First Man

As the biographical drama *First Man* arrived in cinemas this year, watch fans and space enthusiasts were able to spot Omega timepieces playing a historical role within the story. True to real life, the astronauts on-screen wore the same Speedmaster models that were so crucial to the Apollo missions and the very first moon landing.

### Other Marketing

#### Omega Lifetime

*Omega Lifetime*, the brand's twice-yearly lifestyle magazine was published again in 2018 with the *Family* and *Ocean* editions.

#### Omega Online

In 2018, Omega celebrated its first year of e-commerce in the USA. Thanks to its great success, the brand is now looking to expand into other markets in the near future. A new NATO strap online store was implemented in fourteen countries, while the second Speedy Tuesday watch sold out online in record time. Overall, the Omega website experienced very high traffic, particularly across Asia, and there was an important increase in visitors to the US site, largely thanks to e-commerce.

Omega's presence on social media increased thanks to engaging lifestyle content, live event coverage and major international campaigns. It was also boosted by more sponsored campaigns, more influencer engagement and several new ad formats including Carousel Story. Omega's Instagram reached two million followers and the brand opened an inspiring Pinterest page with more than 200000 monthly visitors. Finally, Omega became the first watch brand on the popular Chinese app and social network, WeChat.



### Advertising and Promotion

This year's advertising campaigns included a captivating underwater photoshoot and film with Daniel Craig to promote the new Seamaster Diver 300M. There was also a full 360° Pyeong-Chang 2018 communication with a television ad featuring the track *Sign of the Times* by Harry Styles. The music was set to emotive footage of winter athletes during their famous moments of victory. Kaia Gerber was in focus for a new Trésor campaign – shot in black and white by Peter Lindbergh. When it came to promoting the new Constellation in 2018, the fashion photographer, Damon Baker, shot a powerful campaign featuring Cindy Crawford, Nicole Kidman, Alessandra Ambrosio and Liu Shishi. The setting was minimalist and chic, and based on a modern interpretation of the Manhattan skyline.

### FINE JEWELLERY

In 2018, Omega's Fine Jewellery collection embraced the symbolic features of the brand's Constellation watches and reinterpreted them for a wonderful selection of pieces including a slim and radiant set of golden bangles. A new selection of bangles was also introduced into the Omega Flower Collection, which is based on a beautiful blossoming flower design created from five Omega logos. Like all of Omega's fine jewelry, these pieces are the perfect way to reflect the brand's most iconic design attributes.









# HEADING FOR NEW HORIZONS



## TRENDS

Breguet stands out through its ability to constantly reinvent itself. The fact that the history of the House has been uninterrupted since 1775, the year it was founded, may be attributed to its ability to leverage its avant-garde nature. Seeking to perpetuate this trend, it distinguished itself with the announcement of a new partnership linked to its Marine collection, synonymous with a new era. Under the impetus of its President Marc A. Hayek, the Manufacture unveiled its association with Race for Water, a foundation dedicated to water conservation. Breguet has committed itself to being the main sponsor of its Odyssey, which will continue until 2021, during which a ship powered solely by renewable energies will travel around the world to raise awareness of the disastrous effects of pollution caused by plastic waste. Scientific research, education and concrete solutions are the key words of this promising adventure.

2018 was also marked by the continuation of the *Classic Tour* in celebration of the must-see Classique family. This event, which honors the art of living of a "gentleman", has visited no less than 17 cities since its creation.

In the products segment, Breguet continued to develop the new generation of its Marine line by introducing three new models. Their arrival on the markets was celebrated through major launch events in Hong Kong and Japan. In addition, the Manufacture created a special Race for Water timepiece, reserved for the crew, with a guilloché silhouette of the ship on the dial. Maintaining a privileged relationship with women since its beginnings, the brand also unveiled a new creation in the Reine de Naples line. In addition, it dedicated several events to women, one in Thailand on the theme of fine jewelry and the other in Japan, devoted to femininity as a whole.

In 2018, the Maison strengthened its position as a key player in the luxury watch industry by expanding its network of boutiques, opening two new spaces in China, in Xi'an and Chongqing, as well as a brand-new showcase in Hong Kong, in the heart of Russell Street. At the same time, it reopened two boutiques located in prestigious shopping centers: in Seoul, in the heart of the Hyundai Mall, and in Moscow, at the legendary Gum, a few steps from the Kremlin. With its 317 square meters, the Moscow shop has become the largest in Europe.







## CREATION

### Marine 5517, Marine Chronographe 5527 and Marine Alarme Musicale 5547

In 2017, Breguet introduced the new generation of its Marine line with the highly acclaimed Marine Equation Marchante 5887 tourbillon model. This sporty collection was completed in 2018 with three new additions: the Marine 5517, the Marine Chronographe 5527 and the Marine Alarme Musicale 5547. The first model gives the wearer the time and date. The second is equipped in addition with a chronograph function and the third offers an alarm and a second time zone display. These creations are distinguished by revisited aesthetic codes, some of which recall the maritime world. Available in several variations, they feature a case either in rose or white gold with a *guilloché* dial or in titanium – a first in this line – with a sunray-patterned slate gray dial.

### Classique Extra-Plate 5157

The creations in the Classique collection are distinguished by their timeless aesthetics. They symbolize the purest Breguet style and the Classique Extra-Plate 5157 model in rose gold is a perfect example. In addition to its extreme finesse, it brings together the refinements that make a timepiece from the Manufacture instantly recognizable, such as the *guilloché* dial or the finely fluted case.

### Classique Tourbillon Extra-Plat Automatique 5367

In 2018, for the first time, Breguet presented a *Grandes Complications* timepiece with a *Grand Feu* enamel dial. This new creation offers a simple interpretation of the tourbillon, which

reigns supreme on a minimalist face. All information has deliberately been reduced to essentials so as to give the mechanism the attention it deserves. In order to attract attention to the key element, the Manufacture has opted for a graphic hand-beveled tourbillon bar, topped with a spinel. Also blue in color, the Breguet hands contrast with the whiteness of traditional enamel to ensure perfect legibility of the hours and minutes.

### Reine de Naples 8908

In the year under review, Breguet unveiled a variant of the Reine de Naples 8908, the first timepiece in the eponymous line launched in 2002. This innovation is characterized by the combination of a rose gold case set with 128 diamonds and a dial partially made of Tahitian mother-of-pearl. It echoes the main attributes of the original model in the form of the moon phase and the power reserve indicators.

### Classique Phase de Lune Dame 9085, Valentine's Day limited edition

In 2018, the Manufacture celebrated the festival of love with a special Classique piece, of which 14 examples were made. Combining a natural mother-of-pearl dial with a bezel delicately set with a gradation of pink sapphires and diamonds, this limited series with its poetic accents reveals femininity in all its elegance. This romantic creation features a moon phase displayed on a lacquered pink background, concealed from view behind a pink mother-of-pearl heart.





### Classique 7145 Chow-chow, Chinese New Year limited edition

To celebrate Chinese New Year, Breguet created a timepiece limited to eight pieces in honor of the zodiac sign of the year, the dog. This model gives pride of place to engraving and guilloché, which are the artistic crafts chosen to represent one of the most popular breeds in China, the chow-chow.

## PRESENCE

### Breguet's Classic Tour

Launched in October 2017, the *Classic Tour* combines the iconic Classique line with the lifestyle of a gentleman. After a successful first edition in England, the country of the gentleman par excellence, this event concept has toured Europe, Asia, America and Oceania. Each stage brought together a selection of crafts perfectly matched to an elegant Classique model, in the same manner as tailor-made suits, shoes and barbers.

In Europe, the cities of Geneva, Brussels, Milan, Madrid, Munich, Vienna and Paris hosted the *Classic Tour* throughout the first half of the year. While these events were mainly dedicated to customers and the local press, the Parisian edition stood out due to its greater scope. The original home of the House, this event brought together around 120 guests, including journalists from several European countries, who also had the privilege of visiting several unmissable places closely linked to the brand's history, such as Place Vendôme, Ile de la Cité and the Petit Trianon. Following this, the event headed for the United States and New York City in July, with an edition held in Manhattan, on the grounds of Carnegie Hall, one of the most famous concert venues in the world and a partner to Breguet. The Asian stages,

which took place throughout the year, were held in Seoul, Taipei, Tokyo, Kuala Lumpur, Hong Kong, Singapore and Chengdu (China), with the year ending with a *Classic Tour* in Melbourne in early December.

### Breguet, between history and innovation

The history of the Maison never ceases to arouse amazement. An event in The Hague brought together some 40 Breguet enthusiasts in celebration of the book *Breguet, Watchmakers since 1775*, a summary of a more than 200-year history, and its author. It is impossible in this context not to mention the tourbillon, whose anniversary is celebrated every June 26, the date on which its patent was registered in 1801. The Manufacture also makes it a point of honor to enrich its collections with antique pieces as often as possible. Against this background, during two auctions held in Paris and Geneva, it was able to acquire two spectacular Breguet diving watches and a sumptuous Type XX chronograph dating from 1957. A contemporary version of this model, the Type XXI 3817 in rose gold, was also recognized by *Robb Report* Spain magazine as "best watch of the year" in its *Best of the Best* competition.

While the Maison is distinguished by its rich history, it stands out equally for its track record in innovation. In 2018, Taiwan celebrated one of its major complications, the Marine Equation Marchante, with the travelling exhibition *Breguet, Watchmaker to the Royal Navy*, which looks back on the old and powerful links between Breguet and the maritime world. Also in Asia and in collaboration with Pendulum, the brand invited its VIP customers to discover its latest creations. In Europe, Breguet joined forces with retailer Wempe to organize an event that showcased





the most authentic art of watchmaking and which brought together nearly 200 guests. The participants were particularly captivated by the *guillochage* and many tried their hand at this craft that is so typical of the Manufacture.

#### Art and culture according to Breguet

Breguet's commitment to the arts and culture continued throughout 2018. The year was marked by the Maison's seventeenth participation in the *Geneva International Music Competition*, which it has supported as main sponsor since 2002. This edition, devoted to piano and clarinet, once again supported the careers of young virtuosos. In Spain, Breguet had the privilege of inviting local customers and several members of the press to the only performance in the country of Angela Gheorghiu and Teodor Ilincăi, two internationally renowned opera singers. They were brought together on the stage of a major center of Madrid's culture, the Teatro Real, or Royal Theatre, with which Breguet has been a partner for several years. On the other side of the Atlantic, the Manufacture reserved an entire movie theater in New York for an evening for the screening of the film *Darkest Hour*, whose main protagonist is none other than Sir Winston Churchill, one of the brand's most eminent clients. For the shooting of the film, the Maison made a reproduction of the famous pocket watch by Breguet, which the former British Prime Minister wore constantly. In France, in its February edition devoted to the main squares in Paris, major cultural program *Des*

*Racines et des Ailes (Roots and Wings)* broadcast on France 3 gave pride of place to the Place Vendôme. Breguet, which has been installed in this emblematic location since 1933, was particularly honored with a long sequence showing both the exterior and interior of the boutique and the museum. In Switzerland, a historical timepiece was the subject of a program on French-speaking Swiss television (RTS) during which the director of the International Watchmaking Museum (MIH) in La Chaux-de-Fonds (NE) presented one of the most exceptional pieces in its collection, a Breguet tact watch from 1799, which later belonged to Farouk I, King of Egypt. Breguet's various innovations and its influence on the profession as a whole were subsequently discussed.







HARRY WINSTON

# THE KING OF DIAMONDS CELEBRATES 85 YEARS OF UNPARALLELED CREATIVITY



## TRENDS

In 2018, under the direction of her President, Nayla Hayek, Harry Winston paid homage to its rich New York City heritage and celebrated the iconic collections and motifs that have made Harry Winston one of the most prestigious names in the luxury industry. In addition, the Brand continued to invest in the key areas of the business that will have the greatest impact on its future: the development of new product and gemstone acquisition; the expansion of its retail distribution network and renovation of existing salons; and the implementation of a new global marketing campaign.

Building upon its portfolio of legendary designs, the Brand introduced a new high jewelry collection, entitled New York, as well as exquisite one-of-a-kind brightly colored cocktail rings known as Winston Candy. For its collections, colorful line extensions of the House's most signature motifs – such as the Winston Cluster, Diamond Loop, and Forget-Me-Not Collections – were added to its existing product assortment, along with a new wedding band to complement its popular Brilliant Love engagement ring.

For timepieces, 2018 marked the 20th Anniversary of the House's Ocean Collection. To honor the occasion, the Brand introduced five new Ocean models, as well as other new timepiece novelties that continued to push creative bounds and demonstrate the House's unrivaled creativity in design and innovation.

For more than 85 years, Harry Winston has prided itself on being a true New York brand. A tribute to its rich heritage, the Brand hosted major events in both New York and Shanghai to celebrate the launch of the New York Collection. In New York, the event was held at the world-renowned Rainbow Room in New York City and was attended by top celebrities including Katie Holmes and Naomi Watts. At the conclusion of the evening, guests were delighted by a surprise performance from Grammy- and Academy Award-winning artist Jennifer Hudson. In Shanghai, this concept was taken one step further to include a brand exhibition that was on public display.

Furthering its commitment to rare jewels of the world and proving that important diamonds are an important part of the Brand's future, in November, Harry Winston acquired the unbelievably rare Winston Pink Legacy Diamond – a fancy vivid pink, 18.96 carat type Ila diamond. Purchased at Christie's auction house in Geneva, the magnificent emerald-cut stone has been described as "virtually unheard of," and joins Harry Winston's remarkable collection of important world-class diamonds.

Harry Winston also strengthened its global visibility through the debut of a new global advertising campaign for fine jewelry that celebrates the House's unparalleled craftsmanship. Depicting a Harry Winston's designer's desk, the campaign features the Brand's most celebrated collections set against its complementing design sketch and designer tools.













With the opening of four new salons and the renovation of three existing locations, Harry Winston grew its global retail distribution network, and introduced the Brand to more luxury consumers worldwide.

In looking toward the future, the House will continue to preserve the integrity of the Brand and will further reinforce its commitment and promise to rare jewels of the world.

## CREATION

### Winston Cluster

The Winston Cluster collection showcases the House's pioneering fine jewelry design technique and signature aesthetic in its purest form. In 2018, nearly 75 years after the now iconic motif first appeared, the House introduced a new variation on the collection. A series of pendants and earrings feature marquise and pear-shaped diamonds, along with emerald, ruby and sapphire accents, which are expertly set at varying angles and seemingly float in near invisible platinum settings. With the most exceptional gemstones at their forefront, the new Winston Cluster designs reimagine an iconic motif that transforms fine jewelry into three-dimensional clusters of brilliance, full of color and life.

### New York Collection

New York City, the epicenter of excitement and glamour, has been a source of inspiration for Harry Winston designers since the House first opened its doors in 1932. Examining the endless possibilities of the city, for its latest collection, Winston Designers embarked on a crosstown journey exploring the various neighborhoods, nuances and landmarks that shaped Mr. Winston's life. A bejeweled love letter to the city that never sleeps, the New York Collection is comprised of eight sub-collections, with each celebrating a modern interpretation of the enduring legacy and symbiotic connection to the House's roots.

### Winston Candy

Exploring the candy-colored world of extraordinary gems, the House introduced a sweet series of one-of-a-kind cocktail rings that underscore the House's longstanding commitment to the rarest, most exceptional jewels of the world. Entitled Winston Candy, the collection features fancy-colored center stones paired with a combination of diamonds and vibrant gems in complementing shades.

Selected for their inherent beauty, these magnificent stones exemplify the extraordinary qualities synonymous with Harry Winston. From the finest mandarin garnets, to rare tourmalines, to pastel sapphires, and lively spinels this one-of-a-kind presentation features the most irresistible ingredients and celebrates vibrant jewels that are unrivaled in color, quality and scale.

### Ocean Collection

In 2018, Harry Winston celebrated the 20th anniversary of the Ocean Collection. To commemorate this milestone occasion, the House, in grand style, introduced four new models for women and one for men. Combining fascinating complications, such as retrograde hours and minutes, with precious gemstones in the resilient, water-resistant case, the Ocean Collection proves to be a winning combination.

Renowned for its bold, contemporary design codes and signature biretrograde displays and excentered hours and minutes, the Ocean Collection navigates horological complications with alluring style and resiliency.

The limited edition Ocean 20th Anniversary Biretrograde Automatic 36mm features a sea of neon-blue Paraiba tourmalines, brilliant diamonds and mother-of-pearl. Bearing the hallmark traits of its namesake – including a biretrograde display and excentered hours and minutes counter – this timepiece marks the first time the House of Harry Winston incorporates the dazzling light and aquatic beauty of Paraiba tourmalines.

The Ocean Waterfall Automatic 36mm celebrates the House of Harry Winston's prized baguette-cut gemstones, while the two new Ocean Biretrograde Automatic 36mm models featured bright blue and burgundy mother-of-pearl dials. An enchanting recreation of celestial and aquatic elements, the two Ocean Moon Phase 36mm models depict a bewitching moon phase complication on the dial veiled by a constellation of diamonds set directly on the sapphire crystal glass.

Men were not overlooked this anniversary year and the Ocean Biretrograde Perpetual Calendar Automatic 42mm gave the graphic codes of perpetual calendar watches a complete overhaul with its multiple functions defined by color and emphasized on different planes with contrasting textures. The retrograde day and date functions and the moon phase counter animate the deck with their elegant motions. Presented in 18-karat rose or white gold, this luxury men's sports model was a limited anniversary edition of 20 timepieces in white gold with baguette-cut diamonds set into the bezel and lugs.







### **Precious Signature**

Complementing the spectacle of high jewelry gem-setting and audacious creativity, the timepieces of 2018 showcase the superlative Swiss mechanical movements below deck, and bring to life the perpetual calendar complications, retrograde functions, moon phases and mesmerizing triaxial tourbillon. Marking the first time in the history of the House, Harry Winston unveils a spellbinding mechanical high jewelry automaton. Destined to become a conversation piece, the Precious Signature is a desk clock adorned in opals and diamonds and fitted with a sophisticated automaton movement provided by Swiss watchmaker, Jaquet Droz. Enjoy the spellbinding mechanical spectacle as the magical pen traces Mr. Winston's signature on command.

## **PRESENCE**

### **Salon Openings**

In 2018, Harry Winston expanded its retail distribution network through the opening of new salons in key locations around the world, including Istanbul, Zurich, San Francisco and Monaco. Harry Winston also celebrated the opening of its second location in Hong Kong, at the Hong Kong Mandarin Oriental, with a ribbon-cutting ceremony attended by actress Kate Hudson. The Brand also saw the renovation and reopening of three existing locations in Singapore, Dallas and Chicago.

### **Red Carpet**

Throughout the year, Harry Winston's exquisite fine jewelry and timepiece collections continued to adorn Hollywood's brightest stars at the most anticipated events of the year. International stars including Nicole Kidman, Viola Davis, Margot Robbie, Salma Hayek, Dame Helen Mirren, Allison Williams, Liu Shishi, Chi Ling Lin and Karry Wang, among many others, selected to wear Harry Winston jewels and timepieces for some of their most memorable appearances in 2018.

### **Philanthropy**

Harry Winston continued to give back to those in need, by supporting local causes through *The Harry Winston Brilliant Futures™* charitable program.

### **Harlem Academy**

In 2018, Harry Winston continued to support the Harlem Academy in New York City, an independent school that drives opportunity for promising, low-income students who might otherwise be left behind. Harry Winston's support of the middle school science program, challenges students with a rigorous curriculum and positions them with the skills, knowledge, and confidence they need to excel in the sciences. An impressive 100% of Harlem Academy graduates go on to top secondary schools, and former graduates of the school's science program have matriculated to leading engineering programs.

### **San Francisco Conservatory of Music**

Entering the San Francisco market for the first time, Harry Winston was proud to support the San Francisco Conservatory of Music (SFCM) as it celebrated its Centennial Anniversary. SFCM is the oldest stand-alone conservatory in the American West and has earned an international reputation for educational excellence and producing musicians of the highest caliber. SFCM places a special emphasis on serving those in need through its community outreach music programs, reaching over 1600 school children and 6000 community members at hospitals, homeless shelters, and within the school system.

### **Chance for Children**

Harry Winston continued to support Chance for Children in Japan to provide children in need with access to vital educational programs. With Harry Winston's support, children have participated in after school programs and tutoring to support their studies, with many learning English for the first time.



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**BLANCPAIN**  
MANUFACTURE DE HAUTE HORLOGERIE

# 65 YEARS OF COMMITMENT TO THE OCEANS



## TRENDS

Blancpain had particularly positive year in 2018, with exceptional results, notably driven by its Fifty Fathoms diving watch collection. Extending this line was therefore a natural decision and 2018 saw the arrival of four additional references in the collection: a Fifty Fathoms with a large date and three Bathyscaphe models featuring, respectively, a complete calendar with moon phases, an annual calendar, and a day/date indication. The launch of these models also coincided with the 65th anniversary of the Fifty Fathoms, launched in 1953. This milestone was commemorated internationally through a widespread media presence, as well as events and exhibitions dedicated to Blancpain divers' watches and its initiatives in support of ocean exploration and preservation. Grouped under the Blancpain Ocean Commitment (BOC) program, which celebrated its 15th anniversary in 2018, these actions continued throughout the year, culminating in the launch of a third limited-edition BOC watch. Unveiled on World Oceans Day, the Fifty Fathoms BOC III strengthened Blancpain's position as a pioneering watchmaker in the protection of the underwater environment. Its launch also consolidated customer enthusiasm for the brand and its commitment to marine ecology. For each timepiece sold, Blancpain will donate 1000 euros to the BOC program, for a total of 250000 euros, in addition to its regular partnerships.

In 2018, Blancpain also reaffirmed its position as a master in terms of technical and aesthetic watchmaking developments. New complications were added to the Villeret line, including one with a retrograde day function and another combining jumping hours and retrograde minutes, both associated with a flying tourbillon. Unveiled at Baselworld, this *Grande Complication* won unanimous approval from customers and journalists who saluted this exceptional achievement, worthy of the finest watchmaking traditions. In parallel, Blancpain presented a new decorative technique applied to the watch dial, binchōtan. Originally from Japan, it is, in fact, based on a charcoal derived from processes dating back more than 400 years. Previously unknown to the world of fine watchmaking, it was showcased in a one-off model testifying to Blancpain's creativity and artistic expertise.









## CREATION

In 2018, eleven new references joined the Blancpain catalog: seven in the Villeret collection and four in the Fifty Fathoms collection. These were complemented by limited-edition, special or unique models.

### Villeret Large Date Retrograde Day

In 2018, Blancpain introduced a new complication to its Villeret collection: a retrograde day of the week, completed by a large twin-aperture date display. In order to guarantee a perfect visual balance, the day of the week has been positioned on an arc between 7 and 9 o'clock, with the date apertures positioned between 5 and 6 o'clock. The operation of these complications accentuates the technical nature of this new Villeret: while the date changes instantly at midnight, the retrograde day hand jumps back at the end of the week to the Monday position.

### Villeret Flying Tourbillon Jumping Hours Retrograde Minutes

Blancpain reinterpreted its emblematic flying tourbillon by associating it with two new complications: jumping hours and retrograde minutes. Particular attention was paid to the construction of the tourbillon, with the lower bridge replaced by a transparent sapphire disk. The tourbillon carriage, its balance wheel, and the escapement thus give the impression that they are floating in the air. The Manufacture also devoted its technical know-how to serving aesthetics in order to produce a dial in *Grand Feu* enamel using the *champlevé* method. The movement was entirely hand *guilloché*. The result is an exceptional model offered with a case in red gold or in a 50-piece limited-edition platinum version.

### Villeret Métiers d'Art Binchōtan

Through its Métiers d'Art collection, Blancpain innovates by combining the know-how of its craftsmen with ancestral decorative techniques rarely used in watchmaking. In 2018, the Maison presented its first dials in binchōtan, a charcoal of remarkable quality because it is extremely dense, resulting from the slow combustion of ubamegashi wood in a clay furnace heated to around 1300 degrees Celsius. The sudden rise in temperature, followed by rapid cooling, reduces the bark of the tree to ashes and gives way to a smooth surface with a hardness comparable to that of steel. Blancpain has acquired this 17th century Japanese skill to create a series of unique dials.

### Fifty Fathoms Large Date

In 2018, Blancpain presented the first Fifty Fathoms with a large instant jump date, appearing in two apertures at 6 o'clock. This model is based on Caliber 1315 equipped with three series-coupled barrels ensuring a five-day power reserve. The use of a silicon balance-spring, insensitive to magnetic fields, protects the movement without the need to insulate it behind a metal caseback. A sapphire crystal thus reveals its main components. The 45 millimeters-diameter case is made of satin-finished titanium and features a unidirectional rotating bezel with an inlay made of sapphire, a particularly robust material that only diamonds can scratch.





#### **Fifty Fathoms Bathyscaphe Annual Calendar**

In 2018, the sporting features of the Fifty Fathoms Bathyscaphe were combined for the first time with an annual calendar displaying the day, date and month in three windows positioned to enhance their legibility. An additional advantage of this calendar is that the variation in length between months is automatically taken into account. It is therefore not necessary to manually adjust the date, except once a year, at the end of February. This new product, an authentic divers' watch, retains the main attributes of its 1956 ancestor: clear reading, a robust movement and a unidirectional rotating bezel.

#### **Fifty Fathoms Bathyscaphe Day Date 70s**

In the 1970s, Blancpain designed a selection of divers' watches that broke with the aesthetics of the Bathyscaphe models. These pieces were characterized by rectangular hour-markers and the use of Arabic numerals to mark five-minute periods. Blancpain was inspired by this atypical architecture to create the Fifty Fathoms Bathyscaphe Day Date 70s. The dial of this 500-piece limited edition follows the style of these 1970s timepieces, from which it draws the day of the week indication and the date at 3 o'clock. Like the vintage models, the dial glows in subtly graded shades of gray. While the appearance of this model is inspired by history, it is equipped with Blancpain's latest advanced features. Its 43 millimeter satin-finished steel case has a unidirectional rotating bezel with a ceramic inlay and Liquidmetal® hour-markers.



## **PRESENCE**

### **Blancpain Ocean Commitment**

Building on the success of its initiatives for the exploration and preservation of the oceans, Blancpain continued to defend these causes by consolidating and diversifying its actions. On the expedition side, for the sixth consecutive year, the Maison renewed its support for Laurent Ballesta and his *Gombessa* project, dedicated to the study of marine ecosystems that are among the rarest and most inaccessible on the planet. The results of his latest mission to examine the hunting behavior of some 700 gray reef sharks in Fakarava, French Polynesia were the subject of various exhibitions and conferences. In parallel, Blancpain led its own expedition to the Revillagigedo Archipelago in Mexico. Now preserved thanks to the brand's support, this group of volcanic islands represents the largest marine protected area in North America (148 000 square kilometers) and the most recent to be added to the global inventory (November 2017).

In terms of the international ecological agenda, Blancpain continued its association with the World Ocean Summit, which evolved in 2018 as an initiative focused on accelerated measures and tangible results for sustainable ocean management. As part of this revamp, Blancpain and *The Economist* have set up *The Protectors* program, which supports six individual projects designed to help have 30% of the planet's oceans classified as marine protected areas by 2030. Released in 2018, the short movies presenting the first three projects were viewed by more than 2.6 million people.

On a local level, Blancpain supported a coral regeneration and preservation project at Fregate Island Private in the Seychelles. The distinctive nature of this project initiated by coralive.org lies in the method used, which consists in implanting electrically charged ferrous metal coral structures on the reefs. It has been scientifically proven that the use of a low elec-





trical charge promotes the attachment of small corals to metal structures, thus increasing their survival rate. The implementation of the project began in June. Local communities will take over in the future to ensure the durability of this action.

### Motorsport

In 2018, Blancpain celebrated its tenth year of involvement in the world of GT motor racing as co-founder of some of the world's greatest championships. The ten Blancpain GT Series races organized in Europe, as well as the six Asian competitions, were a great success, with a phenomenal participation rate, both for motorcyclists and spectators. Blancpain thus benefited from strong visibility on the circuits, as well as through a selection of renowned international television channels.

The 2018 season also featured an exclusive traveling hospitality concept. With its restaurant, bar and outdoor lounge, Blancpain positioned itself as a key meeting place during the races. Riders, brand guests and VIPs gathered in large numbers to share their passion for motorsport in a friendly atmosphere. The presence of a master watchmaker at a workbench and displays positioned at the heart of this reception complex enabled Blancpain to showcase its know-how and collections to a wider audience, sensitive to high-precision mechanical engineering.

### Art of Living

A quest for excellence, expertise, a sure touch and passion are all values that Blancpain shares with the world of fine cuisine and the Manufacture has maintained special relationships with the world's leading starred chefs and some of the world's most sought-after hotels for more than 30 years. In 2018, Blancpain made it a point of honor to strengthen its various partnerships with these key players in the Art of Living, starting with the Leading Hotels of the World, encompassing over 400 hotels in more than 80 countries around the planet. A partner since 2005, Blancpain made its presence felt at the 2018 General Assembly of the consortium by awarding a Blancpain watch to the best hotelier of the year.

Special attention was paid to the cooperation initiated more than ten years ago with the high-end restaurants and luxury hotels belonging to the Relais & Châteaux association. The brand committed itself to revealing its world to guests at these prestigious establishments. On request, they were able to visit the Manufacture Blancpain, while customers had a chance to enjoy luxurious gourmet experiences through Relais & Châteaux gift packages.



*Glashütte*  
ORIGINAL

# THE PURSUIT OF BORDERLESS PRECISION



## TRENDS

Glashütte Original recorded stable demand in all markets and strengthened its reputation during the year under review. In its main markets – Germany, China, and the United States – it continued to enjoy strong growth in 2018. The opening of a new store in Xi'an enhanced the brand's exclusive distribution and highlighted its presence in China.

With its sophisticated time-zone mechanism, the Senator Cosmopolite has been offering unlimited precision since 2015. At Baselworld, Glashütte Original continued this success with a new version available for the first time in stainless steel with a minimalist design: the ideal companion for anyone who travels a lot or cultivates international contacts.

Glashütte Original's art of watchmaking is borderless and global in scale, as is its growing international community of fans and followers on social media.

## CREATION

### Senator Cosmopolite

With the launch of a new version of its Senator Cosmopolite, the Manufacture reached another milestone. A patented mechanism offers a selection of all 35 valid world time zones, including those that deviate by a half or three-quarters of an hour from the others. Any adjustment of the date while entering a new time zone – traveling forward or backward – is taken into account. The origin of this masterpiece is obvious: this most recent interpretation of the Cosmopolitan also clearly bears Glashütte Original's signature style, and is particularly contemporary.

### Senator Excellence Perpetual Calendar – Limited Edition

The latest addition to the Senator Excellence line reveals all the beauty and sophistication of its movement. Through its skeleton dial, the Senator Excellence Perpetual Calendar – Limited Edition offers an intimate view inside the watch. The 100-piece white gold limited edition lends an exceptional face to the classic perpetual calendar.

### Senator Excellence

Since spring 2018, two magnificent timepieces have been presented in a new light: the Saxon Manufacture added three new variants of the Senator Excellence Panorama Date and the Senator Excellence Panorama Date Moonphase for the wrists of style-conscious men. While the first models had a classic look, these timepieces are now also available with a blue, silver gray or white dial in a slightly enlarged stainless steel case.







### Sixties Annual Edition

Two new references in the Glashütte Original Sixties collection were inspired by the 1960s: the Sixties and the Sixties Panorama Date, with their intriguing dial in gradated shades of green, crafted in the workshop of the brand's own dial manufacture. These two models were only available for a limited period of one year. With its unusual gradation effect, the relatively light-colored hue in the center gently changes to a deeper green on the curved edges of the retro dial.

### Dresden Music Festival

American opera singer Joyce DiDonato was announced as winner of the 15th edition of the *Glashütte Original Music Festival Award*. During her concerts, this internationally acclaimed opera singer conveys universal messages of peace and humanism and is privately involved in a number of social projects.

## PRESENCE

### Berlin International Film Festival

For the seventh year of its partnership with the Berlinale, the Manufacture was the festival's principal partner for the second time, once again awarding the *Glashütte Original Documentary Film Prize*. A limited edition of chronographs was given an exclusive launch during the festival. The timepieces also played the leading role in the *Movie Capitals of the World* social media campaign.

### Anniversary of the German Watch Museum Glashütte

The museum, established by the German Watch Museum Glashütte – Nicolas G. Hayek Foundation, celebrated its 10th anniversary on May 22nd. During a dedicated ceremony, it was able to share a very positive assessment of its work. Over the past ten years, more than 365 000 visitors from all over the world have visited the modern permanent exhibition and the various special exhibitions that have been presented there, enjoying first-hand the fascination of the watchmaking art of the city of Glashütte.



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D  
JAQUET DROZ  
SWISS WATCHMAKER SINCE 1738

# STORY OF THE UNIQUE



## TRENDS

Jaquet Droz enjoyed a particularly positive year, brimming with events and creations. Celebrating its 280th anniversary, the brand sent a traveling exhibition around the world in the form of a giant open book entitled *Story of the Unique*. Devotees of fine watchmaking had the opportunity to discover all the magic of Time, through extraordinary creations combining design, materials and expertise with the most incredibly refined watch mechanisms.

While the brand's anniversary set the cadence for the year in terms of events, Jaquet Droz also continued to develop its three main pillars: Automata, Grande Seconde and Ateliers d'Art.

## CREATION

### Grande Seconde Collection

#### Grande Seconde Skelet-One

The Grande Seconde Skelet-One marks a real stylistic turning point in the history of the Jaquet Droz *Ateliers de Haute Horlogerie*. This creation enables light to flood the very heart of the mechanism, driving the brand's iconic model, while preserving the shape of the "8" which is its aesthetic signature.

#### Grande Seconde Tribute

The Grande Seconde paid tribute to horological boldness and avant-garde aesthetics. The milestone 280th anniversary was appropriately dedicated to highlighting the Maison's first iconic model, through an exclusive version 88-piece yellow gold limited edition. This masterpiece of know-how, which won several awards around the world, vividly demonstrates that the art of time is a timeless poem instilling beauty into every passing moment.

### Ateliers d'Art Collection

#### Petite Heure Minute Smalta Clara

Since the 18th century, Grand Feu enamel has graced the dials of Jaquet Droz watches. The art of enameling, which combines traditional craftsmanship techniques with state-of-the-art technologies, consists of coating the dial with the precious enamel, which is then fired at a high temperature, causing it to melt, vitrify, and become unalterable. This particular filigree enameling technique, called *plique-à-jour* enamel, allows light to shine through the timepiece in the manner of a stained-glass window.









### **Lady 8 Collection**

#### **Lady 8 Petite**

Designed as an ode to femininity and elegance, Lady 8 Petite preserves the attributes of its predecessor: an ultra-feminine creation, bearing the Maison's emblematic figure "8" and combining Jaquet Droz's traditional expertise in gem setting and natural dials. Developed in five different variations, the new Lady 8 Petite also embraces current trends by adopting the fashionably contemporary double tour strap.

### **Automata Collection**

#### **Parrot Repeater pocket watch**

A truly exceptional piece created in honor of the brand's 280th anniversary, the Parrot Repeater pocket watch brings together all the crafts mastered at Jaquet Droz. It also embraces the longstanding tradition of automata, proudly embodied in his era by Pierre Jaquet-Droz, while now leading it towards new technical, creative and artistic horizons. A true symbol of the art of wonder, the creation has also garnered awards from various international media.

### **PRESENCE**

#### **Boutiques**

Jaquet Droz is writing a new chapter in its special relationship with China. The inauguration of the Xi'an boutique was a story whose first lines were written by the Jaquet-Droz family itself 280 years ago.

#### **Local Events**

##### **Story of the Unique**

From Milan to Zurich, Lisbon, Moscow, Beijing, Macao, Hong Kong, Tokyo, Singapore and New York, the *Story of the Unique* traveling exhibition presented Jaquet Droz's heritage and know-how to connoisseurs and collectors the world over. It was also an opportunity to present unique and exceptional pieces, such as the Parrot Repeater pocket watch and the Signing Machine.

#### **Ateliers workshop**

Encounters between artisans and their greatest admirers give rise to the special emotional bond experienced between masters of their craft and those who seek to learn from them. During sessions organized in small groups, the craftsmen of the *Ateliers d'Art* revealed the techniques of enamel painting and engraving and offered customers the opportunity to paint their own dials.





**LONGINES®**

# TRADITION, ELEGANCE, PERFORMANCE



## TRENDS

In 2018, Longines maintained its position and consolidated its distribution network with the opening of several boutiques.

At Baselworld, the brand presented a large number of new products to enrich its existing collections, and a series of reissues to expand its Heritage line.

Committed to its values, Longines remains faithful to its past to ensure its future. So, thanks to one of its collectors, the oldest Longines watch known to date, serial number 183, was found. The firm also discovered an 1869 pocket watch with a horse's head engraved on it, thus retracing the link between the brand and the equestrian world in the company's early years. Also in honor of its history, Longines presented Erik Lindbergh, grandson of Charles Lindbergh, with the first *Longines Lindbergh Award*, a prize designed to acknowledge an adventurer or pioneer.

## CREATION

### Record

Longines expanded its Record collection with new variations in pink gold or steel and pink gold, as always accompanied by a certified "chronometer" certificate issued by the Official Swiss Chronometer Testing Institute (COSC).

### Conquest V.H.P. GMT Flash Setting

The Conquest V.H.P. collection was extended with new models equipped with a second time zone and an intelligent system that sets the watch using flash pulses from a smartphone, the "Flash Setting".

### The Longines Master Collection

Longines enhanced its landmark line, The Longines Master Collection, with a new version equipped with an annual calendar and controlled by a new mechanical movement exclusive to the brand.

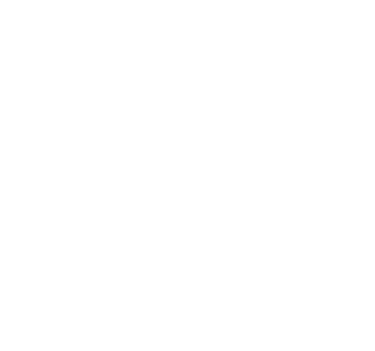
### The Longines Heritage Military

The Longines Heritage Military draws its inspiration from a 1940s watch designed for the British Royal Air Force. This reinterpretation perfectly respects the refined aesthetics and spirit of the original piece.











## PRESENCE

### Boutiques

In 2018, Longines opened several monobrand boutiques, particularly in Asia. The brand also continued to develop its on-line stores, launching an e-commerce platform in the United Kingdom and France.

### Longines Family

South Korean actor Yung Woo-Sun joined the brand's Ambassadors of Elegance. The Longines family also welcomed influencers from all over the world, who came to celebrate the brand's millionth follower on Instagram, during the final of the Longines FEI Jumping Nations Cup™ in Barcelona.

### Equestrian sports

Longines has maintained special ties with equestrian sports for a century and a half. In the field of racing, the brand signed an official partnership agreement with the famous Ascot racecourse and inaugurated the *Longines Tracking System*, a major advance in timing and tracking technology for flat races. In collaboration with the International Federation of Horseracing Authorities (IFHA), the brand awarded the *Longines World's Best Horse Race* to the Qatar Prix de l'Arc de Triomphe race; the *Longines World's Best Racehorse Prize* to American thoroughbred, Arrogate; the *Longines and IFHA International Award of Merit* to the Magnier family and Aidan O'Brien; and the *Longines World's Best Jockey* to Franco Dettori.

In show jumping, the Longines Masters series made its first stopover in New York for the final stage of the season. The Longines Global Champions Tour ended in Prague with the new Longines Global Champions Tour Super Grand Prix, which saw the winners of each Grand Prix of the season compete against each other. Longines and the International Equestrian Federation (FEI) presented the first *Longines FEI World's Best Jumping Horse and Rider Awards* to American rider Kent Farrington and the mare, HH Azur. Longines also awarded the *Longines Rising Star Award* to French event rider, Victor Leveque.

As FEI Top Partner, Longines served as Official Timekeeper to the FEI World Equestrian Games™ Tryon for the first time. Nearly 650 athletes from 70 countries gathered in North Carolina (USA) to compete for world championship titles in dressage, eventing, reining, show jumping, vaulting, driving and para-dressage.

Finally, Longines presented Her Majesty Queen Elizabeth II with the *2018 Longines Ladies Awards*, in recognition of her outstanding commitment to the world of equestrian sports.

### Tennis

The Roland Garros tournament was held under the Longines banner in 2018 for the last time. The brand has an exceptional record of eleven years of partnership, characterized by, among other things, support for the next generation of tennis players. To this end, Longines has joined forces with the *Roland-Garros Junior Wild-Card Competition by Longines*, designed to enable the best junior male and female players to obtain a wild card for the Paris event. Brazil's Ana Paula Melilo and Mateo Reyes were crowned champions after the final. Alongside the French Open, Longines also organized the ninth edition of the *Longines Future Tennis Aces*, which brought together the top 40 female and male hopes in world tennis under the age of 13. The competition ended with the victory of Swiss player, Kilian Feldbausch, and the

young Spaniard, Victoria Jiménez, who were given a chance to play an exhibition match with Stefanie Graf and Andre Agassi, both Longines Ambassadors of Elegance.

In honor of its ten-year partnership with the two tennis legends, the brand unveiled two exclusive Conquest V.H.P. models: the Conquest V.H.P. Stefanie Graf & Andre Agassi Foundations. These watches were auctioned off for the benefit of the two champions' charitable associations.

### Alpine skiing

Official Timekeeper of the FIS World Cup races and the Alpine World Ski Championships, Longines also supports the young hopefuls in the world of snow sports. In Åre, at the end of the 2017–2018 season, the brand awarded the *Longines Rising Ski Stars* prize to Mélanie and Loïc Meillard from Switzerland.

Åre also hosted the *Longines Future Ski Champions* competition, in which twelve skiers under the age of 16 competed against each other. This giant slalom, contested in two rounds, was won by Lorenzo Thomas Bini from Italy.

Ambassador of Elegance Mikaela Shiffrin won her second large crystal globe. A face of Longines since 2014, the American skier visited the company's headquarters in April 2018 and had the opportunity to personalize a watch from the Conquest collection, the Conquest Chronograph by Mikaela Shiffrin.

### Gymnastics

Longines, in its role as Official Partner and Timekeeper of the International Gymnastics Federation (FIG), presented the *Longines Prize for Elegance* at the 2018 World Championships in Sofia (Bulgaria) and Doha (Qatar). Aleksandra Soldatova (RUS) captivated everyone with her performance in rhythmic gymnastics, while Russian gymnasts Angelina Melnikova and Artur Dalaloyan were crowned in the artistic division. Longines Ambassadors of Elegance, Dina Averina, Arina Averina and Kohei Uchimura also distinguished themselves with their results in these two championships.

### Archery

As Official Partner to the Archery World Cup, Longines awarded the *Longines Prize for Precision* to two South Korean archers, Hye Jin Chang and Woo Seok Lee, during the final in Samsun (Turkey).

### Commonwealth Games

Longines took part in the 21st Commonwealth Games in Gold Coast (Australia) as Partner and Official Timekeeper. Throughout the Games, the brand hosted a number of events at the Longines Records Club in Broadbeach, including the *Longines Records* ceremonies to which athletes who broke a world or Commonwealth Games record were invited. In tribute to this multi-sport event, Longines created a special edition, the Conquest V.H.P. Gold Coast 2018 Commonwealth Games.

**RADO**  
SWITZERLAND

# SETTING THE STANDARD, RAISING THE BAR

## TRENDS

### Master of Materials

2018 proved to be a very important year for Rado as the "Master of Materials". Underlining the brand's decades of experience working with new technology and groundbreaking materials science, Master of Materials describes Rado perfectly.

Rado has been pioneering and developing technology for high-tech materials since day one. High-tech ceramic in particular is a story the brand has been telling for more than 30 years and the scratch-resistant material the brand first presented in 1986 is still gleaming today.

This year, Rado showcased new products from its key HyperChrome, DiaMaster, True and True Thinline ranges, with each new model representing the brand's use of high-tech materials.

Plasma and colorful high-tech ceramic, ultra-light high-tech ceramic and new wonder material Ceramos™ also had starring roles in the 2018 Rado collection, which showcased Rado's in-depth materials know-how and showed the brand at its very best.

## CREATION

### True Thinline Nature collection

In 2011, the True Thinline was the first watch Rado made using the groundbreaking injected high-tech ceramic monobloc case. 2018 offered the perfect opportunity to take material mastery a step further by using colorful high-tech ceramic in matt brown, shiny blue and lustrous green to produce the True Thinline Nature collection. Created to celebrate Rado's partnership with Grandi Giardini Italiani – an organization focused on natural beauty and design – the collection uses a mix of materials including mother-of-pearl and galvanic growth dials in combination with durable high-tech ceramic. Fittingly called 'Leaf', 'Water' and 'Earth', each watch in the collection represents one element of a grand garden as well as an important point for calm and reflection in today's hectic world.

### DiaMaster Ceramos

Every year there is a stand-out material innovation in Rado's collection and this year it was Ceramos™. A unique combination of 90% high-tech ceramic and 10% metal alloy, Ceramos™ represents the very best of both worlds. Offering the lightness and scratch resistance of high-tech ceramic with the beautiful sheen of metal, Ceramos™ was injected as a monobloc case for the very first time in 2018 on the brand new slim models from the DiaMaster collection. Featuring cases in the soft, warm hues of rose gold and the cool and calm tones of steel, the DiaMaster is the perfect collection for the new material. The minimalist design and classic proportions of the DiaMaster are subtle and understated, allowing the Ceramos™ to truly shine. Complemented









with soft leather straps and a range of dial colors, the DiaMaster Ceramos is designed to stand the test of time as well as to meet the needs and preferences of modern watch wearers.

#### **HyperChrome Automatic Chronograph Bronze**

Having created the HyperChrome Automatic Chronograph in various colors and finishes since 2012, the Master of Materials decided to take on a new challenge. For the first time, Rado has combined ultra-modern high-tech ceramic with bronze – humanity's oldest alloy. While Rado's high-tech ceramic is known for its scratch resistance and for retaining its original look for many years, bronze marks the passage of time by developing a rich patina. This is guaranteed to render each and every one of the 999 limited edition pieces completely unique. The combination of old and new is offset with rose gold colored hands and indexes and a vintage look brown leather strap.

## **PRESENCE**

### **Rado in action on the tennis circuit**

With its distinctive HyperChrome corner clocks, Rado hit the tennis circuit once again in 2018, performing Official Timekeeping duties at 12 tournaments on hard, grass and clay courts. Starting the season at the Brisbane International and ending it on home turf at the Swiss Indoors, Rado also underlined its passion for the sport with its continued support for the next generation of tennis talent. Rado's YoungStars shone in 2018 with Ashleigh Barty winning her first WTA tournament at the Nottingham Open in June and ending the year with victory in the WTA Elite Trophy. Hyeon Chung reached a career high ranking, breaking into the top 20 and becoming the first South Korean to reach the semi-final of a major tournament in Australia in January.

### **Design is in Rado's DNA**

As ever, design was a major brand focus throughout the year with a raft of events, partnerships, designer collaborations, design-led products and the publication of the third edition of Rado's design magazine, *True Design*.

The year began in style with the brand winning a *Good Design Australia Award* and a *Red Dot Award* for its True Phospho – a collaboration with renowned Swiss design studio Big-Game.

Following the winning start, design partnerships followed with the Madrid Design Festival, NYCxDesign, Design Shanghai, designjunction UK, World Design Capital Mexico City, DesignInspire Hong Kong, Vienna Design Week, Paris Design Week, IDS Vancouver and Yodex Taiwan.





As a major player on the international design scene, Rado used its name and reputation to great effect to promote young designers, giving them a platform to show their work. *The Rado Star Prize* ran in Spain, the USA, Mexico, Italy, the UK, France, Taiwan and Hong Kong. In each case, a panel of industry experts was chosen to assess the entries, select the finalists, and crown the winner. In 2018, Rado was able to attract some of the biggest names in world design to act as judges.

The brand launched its latest designer collaboration with award-winning British designer Bethan Gray at designjunction UK in September. The True Thinline Studs displayed Bethan's signature design elements, including marquetry and studded leather.

#### **Ambassadors represent Rado on the global stage**

In February, Bollywood superstar Hrithik Roshan was guest of honor at the grand opening of a new Rado monobrand boutique at Delhi's IGI Airport. The airport is the busiest in India, handling over 63 million passengers each year. Rado and Hrithik Roshan have forged a strong bond over the past six years and it's a partnership that continues to go from strength to strength.

Award-winning Chinese actress and Rado ambassador Tang Wei gave a rare insight into her philosophy during a spectacular *Elements of Time* event in Shanghai in May. Presenting the new 2018 collection and incorporating a performance and fashion show reflecting the collection, guests were treated to a true spectacle.

Also in May, Rado celebrated its design partnership with Grandi Giardini Italiani – and the official launch of its True Thinline Nature collection – in style with an exclusive international media event at the stunning Villa Gamberaia. Situated in the Florentine countryside, the villa provided the perfect backdrop for the nature themed event.

In September, Rado opened a new boutique in the heart of Moscow on Nikolskaya Street. The special guest star was multi-talented Rado ambassador Yulia Peresild who treated guests to an exclusive singing performance to celebrate the store opening.

**UNION**  
GLASHÜTTE/SA.

# FASCINATION WITH FINER MECHANICS



## TRENDS

At Union Glashütte, 2018 was highlighted by the 125th anniversary of the founding of the company, commemorated by a special exhibition at the German Watch Museum in Glashütte. A number of events and activities bolstered the festive atmosphere, also at the various points of sale, underlining the historical importance of this anniversary.

Specially-decorated window displays on the theme of the art of watchmaking, along with a new brand identity highlighting the quality of the products, helped to stimulate the market. Union Glashütte once again achieved impressive growth and significantly increased its market share in the key regions of Germany and Austria.

Of particular importance was the launch of the brand in China and Hong Kong, where dynamic expansion is planned for the coming years. Indeed, due to its highly developed watch culture, the Asian region offers attractive potential for the positioning of this German watch brand and its enviable tradition.

## CREATION

### 1893 Johannes Dürrstein Anniversary Edition

This special 125-unit limited edition series, with a pink gold case and hand-wound movement, sold out immediately. The unlimited-series stainless steel version, equipped with an identical movement developed by Union Glashütte, has also received a more than favorable response from the market. The character and feel of a mechanical, hand-wound timepiece is particularly appreciated by connoisseurs.

### Noramis Date

The ultimate retro style: The deeply curved sapphire crystal of the Noramis Date is integrated directly into the case, without the need for a bezel. Its powerful mechanical movement, with its high rate stability and improved winding performance, is particularly impressive.

### Viro Chronograph

Three new chronograph models complete the Viro collection. They have not only been given a new design, but also feature a technical upgrade in the form of a modern movement with a 60-hour power reserve.







### Seris Small Second

This well-known ladies' watch has been taken to a new level with a number of subtle but impressive modifications. Its design is based on a rejuvenated Sleek Look and refined with a bold new dial concept. With a high-quality mechanical movement offering up to 60 hours of autonomy, the Seris proves a reliable companion for women of character who consciously opt for a mechanical watch.

## PRESENCE

### Union Glashütte Anniversary Exhibition – 125 years of German watchmaking

The *Union Glashütte – 125 years of German watchmaking* special exhibition was presented at the Glashütte German Watch Museum from December 2, 2017 to April 2, 2018. The many exhibits allowed visitors to discover the company's eventful history, documented for the first time in a guidebook accompanying the exhibition. Historical milestones were presented in a more condensed form at selected points of sale.

### Circus invitation for retailers and guests

At the beginning of the year, Union Glashütte invited its main German, Austrian and Swiss sales partners to its traditional event, this year held at the Sarrasani Circus in Dresden. Guests were treated to an exclusive performance full of breathtaking artistry and original references to Union Glashütte, as well as a filmed speech by Nick Hayek, President of the Swatch Group Executive Management Board.

### Old-timer rallies

In 2018, partnerships with well-known vintage car rallies such as the Sachsen Classic, Paul Pietsch Classic, ADAC Deutschland Klassik and ADAC Trentino Classic were supplemented by the brand's new commitments to regional races in Germany and Austria. The German ski jumper, Severin Freund, was invited by Union Glashütte to make his old-timer debut at the Silvretta Classic. On the picturesque route, he encountered a ski jump from a new and unusual perspective and experienced first-hand the fascination for vintage cars shared by many watch fans.





# SPORTS & STYLE



## TRENDS

Tissot continued its strategy of developing new products and revised versions of already high-performance lines, which began in 2017. Its collections of automatic and quartz watches were enhanced with new additions. On the watchmaking side, there were new models including the Chemin Des Tourelles, Ballade and Lady Heart Flower Powermatic 80, which expertly demonstrated Tissot's skills and technical nous. New quartz watches offered affordable entry lines, such as the Chrono XL Steel and the PR 100 Sport Chic women's collection.

Elsewhere, Tissot not only built on its current loyal ambassador relationships, but also added new ones to the roster. Tissot is proud that MotoGP™ World Champion Marc Marquez is now part of the Tissot family, as his fighting spirit and desire for perfection are values he shares with Tissot. The brand also continued its strong relationship with the NBA, by announcing four-time NBA All-Star Klay Thompson as another new ambassador who will delight in taking part in Tissot's global campaigns.

Tissot expanded its retail network, opening 30 new boutiques including those in Beijing, Singapore and New York.

To increase sales with its retail partners, the new Check and Reserve concept was initially launched in Switzerland.

## CREATION

Tissot's passion for innovation and excellence was expressed in a host of new releases. The Chemin Des Tourelles Blue is the latest model from this popular collection. The line, named after the street in Le Locle (NE) where the Tissot manufacture began, incorporates several different styles which all have contemporary design and good value in common.

The Lady Heart Flower Powermatic 80 is more feminine, featuring a beautiful rainbow-colored disc visible through a rose window on the dial. The dial itself changes color every day of the week, reflecting the wearer's every mood. The new PR 100 Sport Chic is equally graceful, but adds sporty touches in the form of a generous case size and a strong bezel.

Sportiness was a recurring theme, as seen in the Chrono XL Steel, which makes an arresting statement with its bold proportions. A new steel case promises greater durability and adds a stylish edge. On the other end of the design spectrum is the Tissot Heritage Visodate Quartz, which takes its inspiration from the avant-garde 1950s, recreating a more vintage – yet contemporary – aesthetic.





HUANG SHAOHONG  
TISSOT CHEMIN DES TOURELLES  
AUTOMATIC.  
POWERMATIC 80 MOVEMENT  
WITH UP TO 80 HOURS  
OF POWER RESERVE.



**T + TISSOT**  
#ThisIsYourTime

TISSOTWATCHES.COM  
TISSOT, INNOVATORS BY TRADITION







## PRESENCE

Tissot was delighted to launch the Chemin Des Tourelles collection in Shanghai. The prestigious event was attended by François Thiébaud and Swatch Group China Country Manager Susan Chen, as well as brand ambassadors Huang Xiaoming and Liu Yifei. It presented the ideal opportunity to unveil the new Tissot Chemin Des Tourelles print and TV advertising campaigns, and new products were also launched simultaneously with the Tmall Super Brand Day event. Since becoming the first official timing partner of Tmall at the Double 11 shopping festival, Tissot has been able to share its products with a significantly larger number of online users. In the US, Tissot's *Great Call* TV commercial made its debut. A race against time, it features renowned basketball commentator Mike Breen, who narrates the tale of a man preparing to go out for the night, selecting his trusty Chrono XL as a Tissot shot clock counts down the seconds, emphasizing the strong ties between sports and style. Glamour was prevalent in India, at a Mumbai press event starring Indian brand ambassador and talented cricket player Virat Kohli. He was thrilled to launch the Tissot Chrono XL Classic Virat Kohli Special Edition, which features attractive customizations that reflect the personality of the Tissot ambassador. Brand ambassadors were busy in France too. Tissot was honored to welcome Tony Parker to an event that paid tribute to cycling, where he had the prestigious opportunity to train with one of the Tour de France teams. Tissot, Official Timekeeper of the Tour de France, appropriately held the event during the most popular cycling race in the world, and it was an exciting chance to celebrate the relationship with one of its most famous ambassadors.



## Sports Partnerships

Tissot's sporting partnerships continued to flourish, with many exciting events taking place and cementing the brand's position as trusted timekeeper all over the world. The NBA London Game was a wonderful chance for Tissot to welcome the NBA to the city, with François Thiébaud there to present Tissot Chrono XL NBA Team watches to the guests. The NBA All Star Game in Los Angeles was another opportunity to celebrate the partnership, with the skill of the players and Tissot's commitment to precision evident in every second. There was yet more momentous news to come, as Tissot also announced new partnerships with three NBA teams for the 2018–2019 season, with the Chicago Bulls, Washington Wizards and Houston Rockets designating Tissot as their Official Watch. Tissot is honored to be the official timekeeper of all 30 NBA teams, with special partnerships now with a total of nine.

The Jakarta press conference at the opening of the Asian Games presented another reason to celebrate, as it marked Tissot's twentieth anniversary as the Official Timekeeper of the Asian Games. Another important milestone on August 31 marked one year until the FIBA Basketball World Cup 2019, with ceremonies in Beijing and seven other host cities with the late Patrick Baumann, former FIBA Secretary General, commemorating the occasion. Other sports also held significant events, with the MotoGP™ event in Valencia marking the last race of another exhilarating season. Tissot ambassadors Marc Marquez, Jorge Lorenzo and Tom Lüthi were also on hand.

Tissot's extensive racing knowledge was also acknowledged by some key partners with the creation of the Tissot Alpine On Board Quartz and the Tissot On Board Automatic. The watches are a unique concept: their cases can be easily detached from the bracelet and affixed to the supporting frame on the car's dashboard, meaning the driver can always comfortably see the time. Tissot is also proud to be a historical partner of Kessel Classic, continuing a story that stretches back more than forty years. Their shared values of innovation and tradition make them a perfect match.

## Retail

Tissot continued to expand its retail network in 2018. The brand again pushed the boundaries of retail concepts, and opened the first Tissot boutique with a digital façade in Singapore.

Beijing welcomed a new flagship Tissot boutique, offering customers a chance to admire many of its most popular collections in stunning surroundings. New York residents and tourists were also well served: the city's fourth Tissot boutique has now opened its doors.

Altogether, Tissot has 14000 POS, 4000 SIS and 360 Boutiques around the globe.

In Canada and Japan, Tissot launched attractive, distinctive new e-commerce websites and is now represented in a total thirteen countries.

# CALVIN KLEIN

## ***COLORS AND TEXTURES ARE THE NEW BRAND LANGUAGE***

### **TRENDS**

2018 undoubtedly marked an important turning point in the history of Calvin Klein. The brand's evergreen iconic power is now in full swing, embracing a new generation and a new language, while generating a worldwide buzz.

The new creative direction of Chief Creative Officer Raf Simons united every category of the Calvin Klein world, driving each one under the same inspiration. The brand's new uppercase master logo pays tribute to the Calvin Klein original. With more visibility, more impact, more retail spaces and a stronger sense of bold freshness, the brand has clearly signaled a new era. In 2018, Calvin Klein continued to evolve with new modernist design elements including color, textures and volumes, which united to generate exciting, unique products.

### **CREATION**

Shot on-location in California by photographer Lachlan Bailey and graphically combined with still-life photographs taken by Anthony Costifas, the dynamic 2018 advertising campaign revolved around the concept of youth in a dreamlike state and highlighted both intimate moments and a New Americana. The campaign featured models Lulu Tenney and Fernando Albaladejo as part of an influential cast of eight models who were featured in other Calvin Klein campaigns connecting imagery with consistency and iconography across multiple brand categories. The striking landscape-driven visuals also showcased the vintage American quilts that were featured in other key Calvin Klein brand campaigns.

The 2018 Calvin Klein's watch and jewelry offerings pushed the reinvention of the brand's creative vision even further with the introduction of new pieces.

A powerful, cheerful and sometimes surprising color palette playfully embraced some pieces throughout the collection, giving them a fresh new identity. Additional materials, such as stones and beads, added a touch of originality, creating new textures and patterns. To give the 2018 products the finishing touch, inspirational names like 'rebel', 'achieve', 'party' and 'cheers' added an emotional sparkle to the collection.

In a world where identity and duality blend, many contrasted shapes or patterns, in both watches and jewelry, merged to create new designs. New forms were derived from the original concept to create something unique and unpredicted: a Calvin Klein signature reinterpreted to enhance a highly personalized look.

Highlights included the playful and fresh 'Calvin Klein rebel' watch for her, available in five variations that stand out with a youthful, sophisticated tone-on-tone range. For men, the charismatic 'Calvin Klein achieve' timepiece features both a three-







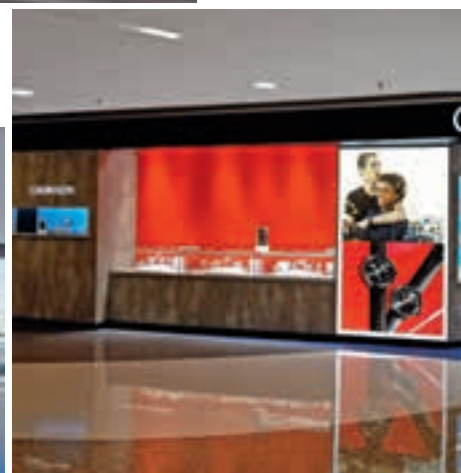


hand and a chronograph interpretation with multiple dial variations and color combinations offered with either a triple-link metal bracelet or a smooth stitched leather strap. The retro-modern 'Calvin Klein high noon' unisex watch takes inspiration from vintage timepieces and is available with a black or brown leather strap or a stainless steel mesh bracelet, with matching black or silver dials and chronograph. Finally, the striking and diverse 'Calvin Klein double' jewelry pieces evoke the universal symbol of love and friendship.

### **PRESENCE**

During Baselworld 2018, Calvin Klein hosted a special media dinner where it unveiled the brand's new campaign. Taking place in the newest building of the Kunstmuseum in Basel, the experiential setup of the dinner brought the *Americana* campaign to life and featured a stunning performance by Moses Sumney, who sported Calvin Klein's latest offerings.

With natural and urban spaces growing closer than ever, Calvin Klein interpreted this "Urban Concept" in a world with fresh, youthful and dynamic elements that gave the brand a pure identity. The combination of concrete, inspired by the brand's hometown roots in New York City, and the contrasting soft feel-





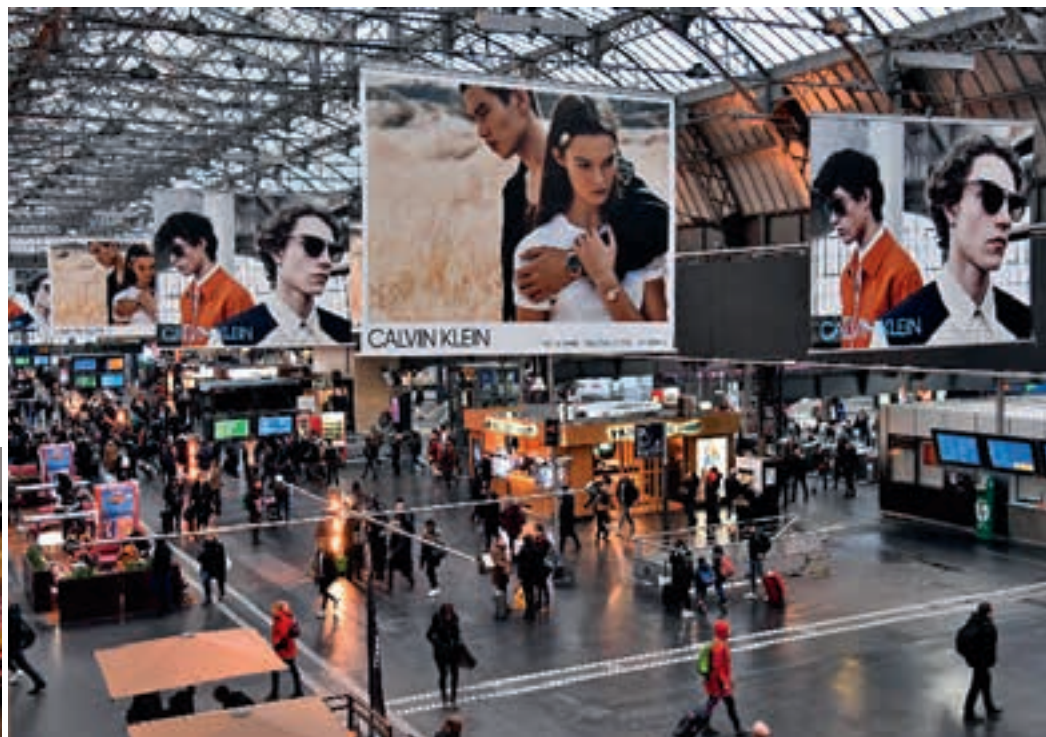
ing of carpet, draperies and vibrant colors, truly placed the Baselworld 2018 booth – as well as the retail environment – in a new era. A rich pallet of color and texture, as well as larger-than-life cutouts, identifies the brand from a distance and unifies the aesthetics of all branded environments. This new “Urban Concept” responds to a wider global market and age group and offers consumers the opportunity to engage with the brand in new ways. The new openings were crowned by significant growth in traffic and, most importantly, sell out. The use of color and strong imagery in an easy-to-implement pop-up concept allows creative installations in dynamic environments, where the brand comes to life in an engaging, accessible and customer-friendly way.

New York-based fashion entity Calvin Klein Inc. launched an internally-dubbed *energy campaign* in January of 2018, featuring celebrities close to the brand. This global scheme reignited #mycalvins for a new level of consumer engagement and connection. Calvin Klein, the Swiss-based watch and jewelry brand, has built exciting synergies by being part of this new global social media identity. It also expanded its outdoor campaign presence, with an end of year focus on Europe.

Thanks to its unique Swiss Made price positioning, Calvin Klein increased market share, allying the latest fashion trends to a young male as well as female audience. The introduction of the new “Urban Concept” in the retail environment allowed the brand to reinforce its visibility through modern materials and a rich pallet of colors. In that respect, Calvin Klein experienced a boost in its retail expansion, especially with boutiques in key markets like China, Hong Kong and Malaysia.

In a complex politico-economic context, the brand has focused on recovering its leadership position in its business segment, predominantly in Asia with the recovery of Hong Kong and the growth of South Korea. In Europe’s challenging economic environment, Calvin Klein’s resilience was illustrated in its historic markets. In Great Britain, the brand successfully opened new distribution channels. The US also reinforced its distribution through the opening and development of new e-commerce channels.

On a global level, Calvin Klein continued to develop its presence in online distribution by strengthening its omnichannel approach.



**BALMAIN**  
swiss watches

# A BRAND AT THE HEART OF SOPHISTICATION



## TRENDS

In 2018, the Saint-Imier (BE) brand was marked by renewal. Presented at Baselworld, the new 2018 collections won hearts and minds – particularly the Flamea, Haute Elegance Oval and Balmain de Balmain models, which brilliantly highlighted a return to the brand's origins. Dynamic, elegant and at the cutting edge of fashion, the new models retain all Balmain's unique watchmaking expertise.

Featuring models or symbols of Parisian life, the brand's new advertising campaign, unveiled in November, clearly demonstrated this return to its roots, deeply linked to the Balmain Haute Couture Maison. Highlighting the brand's eternal elegance, the new image was met with great enthusiasm.

December saw the unveiling of a new website, which has been a great success with distributors and consumers alike.

Benefiting from a slightly more favorable economic context in 2018, Balmain consolidated its strong potential in the Middle East. India, Russia, Switzerland and Belgium remain the leading markets and contributed to the increase in brand awareness.

## CREATION

### Balmain Flamea II

#### The charm of haute couture:

#### beauty adorned with delicate motifs

Haute couture combines classicism with fantasy, a union celebrated by the Balmain Flamea II collection. Classic shapes, sophisticated patterns and harmonious bracelets combine to reveal a collection of watches that give depth to any look.

Inspired by the ironwork of the Eiffel Tower and the lace of old-fashioned evening dresses, the motifs that adorn this collection are as unique as they are delicate, with mother-of-pearl dials magnificently highlighted by curves and right angles. Characterizing the collection, these elements are enhanced by slim metal bracelets or stitched leather straps with a patent or soft finish.

### The Balmain Haute Elegance Oval

#### A mirror of the brand's soul: the time of elegance

The perfect oval of the case of this fascinating new line is an open invitation to discovery. The elliptical shape of the Balmain Haute Elegance Oval attracts the eye, just as the magic mirror captured Snow White's attention in the eponymous fairy tale. Enhanced by a dainty strap or bracelet adorned with Balmain's emblematic central clasp, these watches combine sophisticated aesthetics with impeccable mechanics.

An ode to grace and harmony, the aesthetic of the Balmain Haute Elegance Oval is a clever blend of poetry and geometry. Each of the models in this collection is adorned with unique feminine accents, inspired by a wide range of creations, from arabesque motifs to white or black mother-of-pearl.





### The Balmain de Balmain II Mini

#### A multifaceted watch: the embodiment of feminine charm

In a world where time flies by, the Balmain de Balmain II Mini collection is dedicated to capturing the magic of every moment, while bringing a sporty touch to the wrist in a guarantee of elegant and playful femininity. The result of a complex alchemy between tradition and contemporary aesthetics, the collection celebrates the multiple lives of 21st century women.

Proudly asserting its heritage and modernity, the Balmain de Balmain II Mini collection consists of no less than 14 variations.

### PRESENCE

The brand's efforts to improve its image have led to excellent results and increased awareness.

In 2018, various events were organized, notably in Russia where key customers were invited to an evening at a prestigious hotel in Moscow. India, Hong Kong and the European subsidiaries set up training programs and display window animations that made a significant contribution to strengthening ties between the brand and its partners.



# COUNT ON ME



## TRENDS

For the 130th anniversary year, Certina adopted a new slogan: "Count on me". Since the brand has always been synonymous with reliability, precision and innovation, this message underscores the powerful promise that the brand's customers have been able to count on since 1888.

The highlight of Certina's product launches in 2018 was undoubtedly the reissue of the vintage DS PH200M divers' watch, which caused a sensation worldwide. Numerous promotional presentations around the globe generated enormous demand for this special model, which resulted in some customers having to wait for delivery. Ultimately, their delight upon receiving their watch was all the greater. The enormous media impact triggered by the vintage DS PH200M divers' watch also stimulated interest in the rest of the Aqua collection.

Certina once again succeeded in gaining substantial market share and developing its growth in the main European markets, particularly in Switzerland, the Nordic countries, Russia and Eastern Europe. As an official partner of the GT4 European Series, Certina expanded its presence in many European markets. The brand also achieved strong double-digit growth in Asia thanks to the strengthening of its automatic collection and its dynamic communication strategy.

## CREATION

### DS PH200M

With its DS PH200M, Certina is reviving a vintage diver's watch that was originally created in 1967. The new DS PH200M edition, identical to the original model, is presented in a 42.8 millimeters stainless steel case with a unidirectional graduated rotating bezel. With its modern Powermatic 80 caliber and timeless vintage character, it pays tribute to the past while looking resolutely to the future.

### DS Action Diver Sea Turtle Conservancy

The acquisition of this timepiece makes its purchaser the proud owner of a superior quality divers' watch in compliance with the ISO 6425 standard and water-resistant to 30 bar (about 300 meters). It also enables them to support the Sea Turtle Conservancy, which is dedicated to the protection of marine turtles and receives a share of revenue from sales of this model.







### DS-8 Lady Phase de Lune

The graceful stainless steel case of the DS-8 Lady Phase de Lune is coated with rose gold PVD and features a white mother-of-pearl dial and rose gold hands. Inside, the top-of-the-range PreciDrive™ caliber, certified by the Official Swiss Chronometer Testing Institute (COSC), enables it to achieve both performance and precision.

### DS Action Lady

The DS Action Lady offers water resistance to a pressure of 20 bar (about 200 meters). The chronometer-worthy accuracy of its PreciDrive™ quartz caliber has been officially confirmed by the COSC. Its finely satin-brushed silvered sunray dial is adorned with three diamonds at 12 o'clock, adding a touch of glamour to everyday life.

### DS Podium Chronograph 1/10 sec Wilvo Yamaha – Limited Edition

This special limited edition Certina chronograph in the colors of the Wilvo Yamaha Official MXGP Team handles high speeds and long jumps easily. With its state-of-the-art PreciDrive™ quartz movement powering a real-time tenths of a second display, and in accordance with the proven DS concept, this timepiece makes light work of every obstacle.



## PRESENCE

### STC in London

International journalists gathered at the Sea Life Aquarium in London to launch the new DS Action Diver Sea Turtle Conservancy (STC) special edition celebrating the partnership with the organization. By acquiring this new divers' watch, each buyer promotes STC's work to protect marine turtles and thus supports Certina's commitment to sustainable development. Sea Turtle Conservancy Executive Director David Godfrey attended this exclusive event and introduced interested guests to activities aimed at protecting marine turtles.

### Event for Chinese retailers

At an exclusive event in Malaysia, several Chinese retailers had the opportunity to discover the various facets of the new DS PH200M first hand. The watch was presented and launched during a spectacular maritime program in a perfect setting in Sabah.

### Excellence: the DS PH200M wins a much-coveted prize

The DS PH200M was also successful in the second half of the year. In a competition organized by the renowned Polish online magazine *CH24.PL* an international jury named it *Watch of the Year 2018*, in the category *Watches up to 3000 Swiss Francs*.



**MIDO**  
SWISS WATCHES SINCE 1918

# 2018: A "BIG DATE" FOR MIDO



## TRENDS

Georges Schaeren chose to found Mido on November 11, 1918, the very day of the Armistice. Since this symbolic date, Mido has continued to look towards the future with confidence, driven by the visionary strength of its founder. In 2018, the brand celebrated its 100th anniversary by extending the path set by its creator. The exceptional year was marked by new timepieces reaffirming the essential values of Mido's DNA over the past century: timeless design, quality materials and technological innovation.

## CREATION

### Commander

Mido's first action for this 100th anniversary was the launch of the Commander Big Date, a series of new models with a large date aperture at 6 o'clock. Mido thus developed an exclusive movement with a large date window, based on its Caliber 80. This new line emulates the codes of the legendary Commander: a sunray satin-finished dial, protected by an elegant round satin finish stainless steel case, enhanced by a polished bezel.

### Multifort

The new Multifort Chronometer<sup>1</sup> updates the design of this emblematic collection and innovates by becoming the first model in the line to feature Caliber 80 Si. Usually reserved for luxury watchmaking, this COSC-certified chronometer movement with a silicon balance spring guarantees precision and shock resistance, in addition to an impressive autonomy of up to 80 hours.

### Baroncelli

Discreet, elegant and provocative, the new Baroncelli Lady Day & Night was designed to accompany every kind of feminine audacity. Perfectly rounded, its steel case reveals a sublime white mother-of-pearl dial, surrounded by a grained white flange. Echoing this sparkling heart, the three diamonds, placed at 3, 9 and 12 o'clock, give this rare model an extraordinary radiance.

### Ocean Star

In accordance with the ISO 6425 certification, the new Ocean Star Diver 600 is water resistant to 60 bar (about 600 meters), and equipped with a helium escape valve. The heart of this exceptional model is a condensed series of watch innovations: a COSC-certified chronometer movement, the Caliber 80 with silicon balance spring combining an exceptional power reserve of up to 80 hours with outstanding precision and shock resistance.







## PRESENCE

Mido's 100th anniversary celebrations began in January in an extremely festive atmosphere in Shanghai at the iconic Expo I-Pavilion. On this evening, punctuated by the artistic performances of Parkour athletes and futuristic dancers, guests had an opportunity to discover the Commander Big Date collection. The festivities continued in Mexico City in May and in Taiwan in June, providing Mido with an opportunity to take its guests back in time by presenting its "past, present and future" concept.

Mido continued its expansion in the Middle East, opening its first store in September at the Dubai Mall. The official ribbon cutting ceremony was attended by Mido President Franz Linder, representatives of the Rivoli Group and famous Taiwanese actor and singer, George Hu.

In November, the highlight of the celebrations was marked by a unique evening for women, held in the lavish setting of the ArtScience Museum in Singapore, where Mido presented historical models created for women since its foundation in 1918, as well as the new Barocelli Lady Day & Night. The evening ended with a flourish with the unveiling of the new Rainflower women's collection, directly inspired by the architecture of the ArtScience Museum. Internationally-renowned model Romee Strijd paid tribute to the Brand by wearing the very first model at this event. This sparkling, sophisticated piece will be produced as a limited edition of 500 pieces and, like the rest of the collection, will be available from May 2019.





# 100 YEARS OF TIMING THE SKIES



## TRENDS

In 2018, Hamilton celebrated a very important milestone in its long and prestigious history – 100 years as the choice of aviators. Under the motto “100 years of timing the skies”, the brand organized a year of aviation-based festivities including specially developed products, retail displays and presentations, breathtaking events and targeted activities, all marking Hamilton’s first centenary of serving the flying community.

## CREATION

With the focus on aviation for 2018, the brand developed and launched a range of brand new pilots’ watches in its Khaki Aviation family. Some, including the Khaki Pilot Day Date Auto, drew on vintage look pilots’ watches. Others, like the new 2018 version of the brand’s popular Khaki X-Wind Auto Chrono, concentrated on the technical side of flying. With all the innovative features of the original, including the pioneering drift angle calculator, the new Khaki X-Wind Auto Chrono is limited to just 1918 individually numbered pieces and is officially certified as a chronometer thanks to its exclusive H-21-Si automatic movement with a silicon balance spring.

In its Jazzmaster range, Hamilton launched a number of new watches, including the new Thinline series with interchangeable leather straps. Also in the Jazzmaster collection, the brand celebrated its strong links to Hollywood with the Jazzmaster Regulator Cinema. Separating the hours from the minutes with a distinctive dial design that recalls the turning reels of old movie cameras, the watch received its debut at the 10th edition of *Hamilton’s Behind the Camera Awards* in Hollywood.

The brand’s Khaki Field Auto Chrono in full black had a starring role on the wrist of the eponymous hero in the blockbuster streaming series Tom Clancy’s *Jack Ryan*. The episodes – and the watch – have been seen by millions to date as the series continues to be a big hit.

## PRESENCE

*Jack Ryan* was also the name on everyone’s lips when it came to events in the final quarter of 2018. With the series released on August 31, the Khaki Field Auto Chrono was on display at special screening events in both London and Madrid as well as featuring in retail displays around the world.



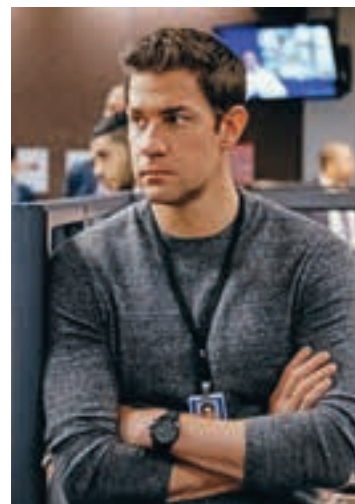




The movie theme continued with the brand's biggest event of the year, the *Hamilton Behind the Camera Awards*, celebrating its 10th edition in November. Taking place in Hollywood, the program turns the spotlight on the movie makers and attracts some of the biggest names in cinema as presenters for the evening. This year, Hamilton was able to count Felicity Jones, John Krasinski, Rami Malek, Jake Gyllenhaal, Rosamund Pike and Jamie Dornan among its guest presenters. The event was also the backdrop for the launch of the Jazzmaster Regulator Cinema.

Aviation was the main theme that ran throughout the year. Hamilton continued its duties as the Official Timekeeper of the Red Bull Air Race World Championship, adding three new talented pilots to its team of aerobatic aviation ambassadors. The brand hosted a special event in the Swiss Alps in April in collaboration with its aviation partner, the Air Zermatt mountain rescue service. There was also a special Hamilton aviation centenary exhibition and an event in South Korea with guest of honor, actor Daniel Henney, on hand to greet guests.

After a successful year celebrating 100 years of timing the skies, Hamilton turns its attention for 2019 to the world of cinema.



flik flak

# WE ARE FAMILY



## TRENDS

Flik Flak loves finding ways of making things special and 2018 was no exception. Exciting new products and fun events kept the agenda full and spelled out success.

## CREATION

Personalization proved to be a hit for kids and parents alike this year. Visitors to the Flik Flak online shop discovered 13 watches with the option of having the future owner's name stitched directly on to the strap and they filled their baskets.

Initially available in Switzerland, Germany, France, Italy, Spain, Holland, Belgium, Austria and Poland, the range was soon launched in the United States, as well as in the Nordic countries, achieving excellent results.

Strong themed collections worked their usual magic on kids learning to tell the time. Tropical and Color Explosion fired up the imagination with a rainbow of possibilities. Wonderland then met the cooler months with more great designs.

## PRESENCE

Events around the world continued to grow the Flik Flak family and to combine learning with having fun. Tropical was a hot topic in Poland, where a kid-friendly gym was taken over by pineapples and palm trees at a special event for InstaMothers and their kids.

The German summer saw a special Flik Flak bike tour that stopped off at festivals such as the Museumsfest in Frankfurt, pedestrian shopping areas and blogger events.

A shopping center proved to be a great testing ground for the Flik Flak App. Two areas with different activities and a dedicated rainbow walk created a party atmosphere, where it wasn't always clear whether the smudged faces came from face painting or eating cupcakes.

Back-to-school events in Taiwanese and Russian shopping malls pulled large crowds. The Moscow happening not only made kids 100% happy but also succeeded in boosting sales by 40% over the same period in 2017.

After that, it was destination color at the Madrid Railway Museum where a mini fashion show, competition and pretend ticketing captured influencers' hearts to generate lots of coverage and conversation on social media.





# BOUTIQUES IN ACTION



As they do every year, Tourbillon boutiques promoted *Haute Horlogerie* throughout the world by showcasing – whether in boutiques or at events – the expertise and innovation of Swatch Group’s most prestigious brands: Breguet, Harry Winston, Blancpain, Glashütte Original, Jaquet Droz and Omega.

## Omega at the Olympic Games: celebration of an exclusive partnership

The Olympic dream continues to attract worldwide attention and the PyeongChang Winter Games in South Korea were no exception. On this occasion, Tourbillon Lausanne and Omega celebrated the exclusive partnership that has long united the sporting event with its Official Timekeeper, with a special evening event at the Olympic Museum in Lausanne the day before the Games opened. Throughout the Olympic Games, an Omega exhibition on the art of timing was also held at the Tourbillon Lausanne boutique, enabling many customers to enrich their knowledge of the subject.

## Major brands hold exclusive Manufacture visits

These Manufacture tours, revealing the art of *Haute Horlogerie* expertise, offered connoisseurs and enthusiasts the opportunity to discover the excellence of a traditional craft. Visitors also had the chance to acquire exceptional watches. In 2018, the organization of these visits, in partnership with the Swatch Group brands, not only encouraged special orders, such

as personalized or limited edition watches, but also the sale of several *Grande Complication* timepieces such as the Minute Repeater, Tourbillon Carrousel, Perpetual Calendar and other models.

## International outreach: events and development

Internationally, several events were organized in collaboration with partner brands. These popular occasions included the Blancpain GT Series weekends, which combine a passion for cars and watches; the Berlin International Film Festival, where Glashütte Original is one of the main sponsors; and the golf competitions organized by Omega. Tourbillon boutiques are also proud to have expanded their network in 2018 with the opening of their first boutique in Turkey, located in the Asian part of Istanbul, at Emaar Square Mall.






 HOUR  
PASSION

# DEDICATED TO SERVING CUSTOMERS



The Hour Passion retail brand continued to streamline its network in order to support positive growth momentum in 2018.

The multibrand chain of boutiques, which specializes in the retailing of watches and jewelry from the entry-level to the luxury segment of Swatch Group – continued to expand: at the end of 2018, the network had around 50 points of sale in 20 countries across Europe, Asia and North America.

At Geneva-Cointrin Airport, after several months of work, Hour Passion inaugurated a new concept which, with twice as much surface area, provided ample space highlighting the prestigious and diversified watchmaking.

At Premium category village outlets, Hour Passion opened a store in Taiwan's Gloria Outlet and in May, opened a new point of sale in the Gunwharf Quays Designer Outlet in Portsmouth, UK.

In 2018, operating within a limited perimeter, Hour Passion gave priority to performance. The brand focused particularly on its core business and on better meeting the strategic challenges of the competitive retail environment by improving fundamentals. Working closely with partner brands, Hour Passion implemented a number of initiatives, including high-impact product launches, range optimization, large-scale marketing operations, and targeted promotional activities.

Keen to strengthen its operational excellence, Hour Passion rolled out an unprecedented training program for all its employees. The onsite verification of needs by a dedicated team of trainers made it possible to adapt the application of the Hour Passion standards and to implement tailor-made solutions.

This new approach, based on listening to needs and ensuring the flexibly modular nature of the programs offered, supports Hour Passion's ambition to provide the highest level of service to its customers, wherever they may be.



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

# SWATCH ART PEACE HOTEL

At the Swatch Art Peace Hotel in Shanghai, the year got off to a youthful start with Swatch's Super Brand Day on Tmall, one of the world's largest online trading platforms. To the delight of his (mostly) female fans, famous Chinese singer and actor Karry Wang placed his 18-year-old self at the brand's service for the official launch of the Swatch online store on this must-see website.

In the spring, the now well-established Swatch Art Peace Hotel was treated to a completely revamped website enabling user-friendly access via all computers, tablets and mobile phones. The work that was carried out generated a very positive response from the public and was rewarded by one of the most prestigious awards in the profession, the *2018 Red Dot Award* in the *communication design* category.

As soon as the *Emerging Curators Project 2017* was completed at the Swatch Art Peace Hotel, the prestigious jury for this project, which aims to promote the recruitment of contemporary art curators in China, met again to determine the winners of the 2018 edition. *Bad Code*, one of the two winning projects, was selected by Swatch and the Swatch Art Peace Hotel to receive support for its exhibition, which took place in the local contemporary art institution, Power Station of Art.

This year's collaboration with Power Station of Art extended to Swatch brand support for the 12th Shanghai Biennale. The Swatch Art Peace Hotel made its premises available to the Biennale's curator, the Mexican Cuauhtémoc Medina, who chose – within the general theme of the Biennale, *ProReGress* – to exhibit the Taiwanese artist Yao Jui-chung and his work *Incarnation*, a photographic reflection on the profane and the sacred. Thus, the Swatch Art Peace Hotel, as a *City Pavilion of the 12th Shanghai Biennale*, enjoyed a high profile, strengthening the visibility gained at the press conference where this collaboration was announced.

During Photofairs | Shanghai, held each year in September, the Swatch Art Peace Hotel traditionally hosts an exhibition of photographers, former guest members of its artist residency. This year, the accolades were shared by Julie Forgues (Canada), with a project on the growth of the city of Shanghai; Dorothy M Yoon (South Korea), with a very personal interpretation of fairy tales; and Liu Zhenchen (China), with videos reconstructed from instant photographs of everyday life in Shanghai.

Through an exhibition by Japanese artist Ouma titled *Life Continuous*, the Swatch Art Peace Hotel also had the privilege of being presented by the local Swatch team at the Nicolas G. Hayek Center in Tokyo's Ginza District. The project aroused great interest among the public and the press.

The year ended with Swatch paying tribute to Mickey Mouse and his 90th birthday, an opportunity that the guests of the residency made sure not to miss, creating their own interpretations of this legendary character. This year, 44 new guests were welcomed, bringing the number of artists invited to the Swatch Art Peace Hotel to 326 since its inauguration in 2011.

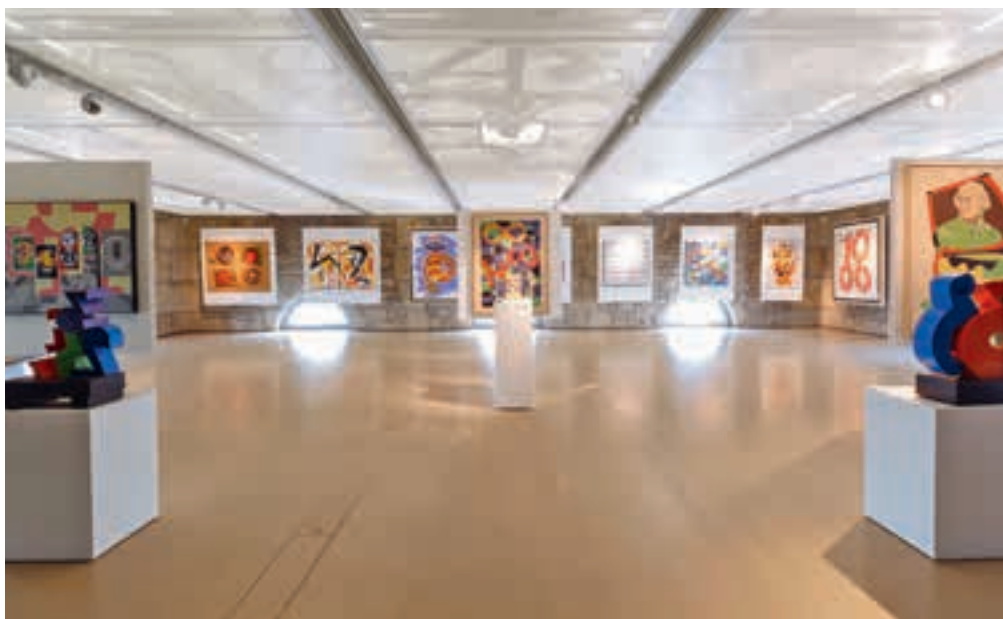








# CITÉ DU TEMPS



The Cité du Temps had a successful year in 2018, hosting 15 exhibitions and 39 events at the Geneva venue.

## Memories that count

Swatch turning 35 was celebrated with a special exhibition by Italian artist Ugo Nespolo, *Numbers*. In 35 exhibits, he presented a range of techniques and cultural references. The accompanying catalogue, including an essay by mathematician and writer Piergiorgio Odifreddi, was an artwork in itself. Art was the language of many other recalled memories during the year. Moroccan painter Mohamed Zaidi seemed capable of reviving the sounds of over 30 international music tours he's accompanied. Lebib Topalli-Shabani from Kosovo used children's toys to fuse past and present, building an Eiffel Tower in the process.

## Better together

Reflecting its spirit of accessibility and inclusivity, the Cité du Temps again welcomed several group and joint exhibitions. *I love Swiss Art* became the new *I love NY*, when 24 artists showed a diverse collection of work. Ten more presented a rich voyage of discovery in *Kiss & Fly*, an exhibition on the theme of travel. Aleks Saki and Charlotte Bernard united collage and photography in *Above the Clouds, Sky is always blue*. And painter Pierre Vogel and sculptor Jacques Baume showed the capacity of two- and three-dimensional creations to explore new physical and emotional territories in *Terra Incognita*.

## Dreams and visions

An overriding theme in 2018 was that of dreams. In *Time to Dream*, Véronique Lecomte expressed her core belief that, "What shackles Man is not a lack of time, it's his lack of dreams". Georgian artist Tamaz Avaliani portrayed his *Dreams on the Tip of a black Ball-Point Pen*, while photographer Sabine Jaccard presented the stuff that dreams are made of in her exhibition, *Théâtre d'Hommes*. As the Cité du Temps prepares for its relocation to a new home in Biel/Bienne (BE), it looks back on unforgettable times in Geneva.



**PRODUCTION**  
**WATCHES / JEWELRY**





1



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3



4

### ETA Manufacture Horlogère Suisse www.eta.ch

1/2/3/4

For ETA Manufacture Horlogère Suisse, 2018 was highlighted by strong demand requiring a swift response while ensuring irreproachable quality. Thanks to its flexibility and efforts on the part of highly skilled employees, ETA successfully met the needs of the Swatch Group brands with high-performance Swiss Made products.

In the area of quartz products, the launch of the exclusive HeavyDrive™ technology used for the Trendline collection demonstrated that innovation is also at the service of aesthetic freedom. The incorporation of a new integrated circuit enables the detection and intelligent management of shocks in order to avoid an accidental jumping of a hand and to reduce weight restrictions with regard to hand design. In addition, ETA continued to develop NTC NeoTroniC movements with the new Longines Conquest V.H.P. GMT Flash Setting. Endowed with embedded intelligence, this watch is capable of being driven through sequenced light from a smartphone flash. It retains precision to  $\pm 5$  seconds per year and can detect and compensate for the effect of a magnetic field (caliber NTC E56.411).

With regard to mechanical movements, the skeleton movement produced for the Omega Speedmaster "Dark Side of the Moon" Apollo 8 (caliber A90.A01) stood out with a decoration representing the moon's surface, thanks to the use of complex technologies. In addition, on the occasion of Union Glashütte's 125th anniversary, the construction of the hand-wound A05.D01 caliber was modified to incorporate additional functions such as the power reserve display. ETA continued to roll out the best technologies with the launch of the Hamilton Khaki X-Wind Auto Chrono Limited Edition powered by the first Hamilton movement

with a silicon balance spring (caliber A05.H21). Commemorating another anniversary, the Mido Commander Big Date features an exclusive version of the C07 caliber with Big Date, that celebrated the brand's 100th anniversary (caliber C07.651).

For Swatch, the launch of the SKIN Irony with eight models featuring a sophisticated, modern design confirmed not only the mastery of watch exterior production techniques using metallic injection technology, but also the commitment and skill of the teams working on the project. Industrialization does not exclude personalization. Swatch X You is a product resulting from innovative and flexible solutions, with the first Swatch to achieve unprecedented levels of personalization. The client shifts the watch to one of the canvases in order to select his or her own unique look, after which it will be delivered within 48 hours of the online purchase.

For the younger generation, the biannual IBLive event attracted 3300 visitors, half of whom were hosted at the ETA training center in Grenchen (SO). The event enabled students to discover the variety of trades in the watchmaking industry. At the end of 2018, 77 apprentices graduated successfully and two-thirds of them joined ETA teams.

Ongoing research for innovations simultaneously requires the creation of new training programs. This was achieved with the introduction of a new profession, Mécamaticien. Midway between mechanics and IT, this training program is a direct response to the needs of a company focused on the way forward for industry 4.0.

Since the signing of the founding agreement on October 31st, 1793 in Fontainemelon (NE), 225 years have passed, during which time ETA has never once lost its sense of innovation, process improvement and the integral use of all its skills. Baselworld 2018 offered an opportunity to highlight ETA's





growth through four industrial revolutions presented in a dedicated showroom – an unprecedented heritage which also notably allows the integration of cam-type profile-turning machines. This combination of state-of-the-art technologies and traditional machines is one of the examples leading to a significant improvement in ETA's productivity.

### **Meco** [www.meco.ch](http://www.meco.ch)

5/6

The setting up of a new organization and new developments over the course of 2018 allowed Meco to improve its responsiveness its clients' expectations. All these arrangements in particular enabled an improvement in the quality of crowns, pushers and valves from both technical and aesthetic standpoints.

In 2018, Meco committed some of its resources to an innovative and efficient industrialization process in order to fulfill the requirements of demanding brands such as Breguet, Blancpain, Omega, Longines and Rado to name but a few.

Some of Meco's resources were also focused on the new industrial challenge presented by the machining of new gold alloys and original materials in order to remain a leader in its areas of activity.

For 2019, Meco is working intensively on the implementation of a structure and organization segmented into several units for product assembly. Furthering the objective of improved adaptability, a Human Resources management system will focus on employees' versatility.

### **CHH Microtechnique** [www.chh-microtechnique.ch](http://www.chh-microtechnique.ch)

7/8

In 2018, CHH Microtechnique experienced a year of very strong growth in order volumes in all segments, requiring a rapid increase in capacity. It was also a year rich in the development of new calibers, with which CHH Microtechnique was closely involved in terms of industrialization, as well as with the manufacture of new materials and innovative and complex movement blanks.

The investment program focused on extending the machine fleet, whether by acquiring all new equipment or renewing existing machines. These investments also concern the implementation of new technologies within the production, particularly in the field of fine polishing for increased quality requirements.

At the same time, the pursuit of continuous improvement initiatives related to the company's organization and processes contributed to increased efficiency and performance.

Employees demonstrated a unanimous commitment to meeting these various challenges.

New materials also emerged in the CHH Microtechnique repertoire to meet the requirements of the REACH regulation with regard to certain substances. This involved adapting processes and tools to comply with regulations and continue to meet the requirements of its customers.

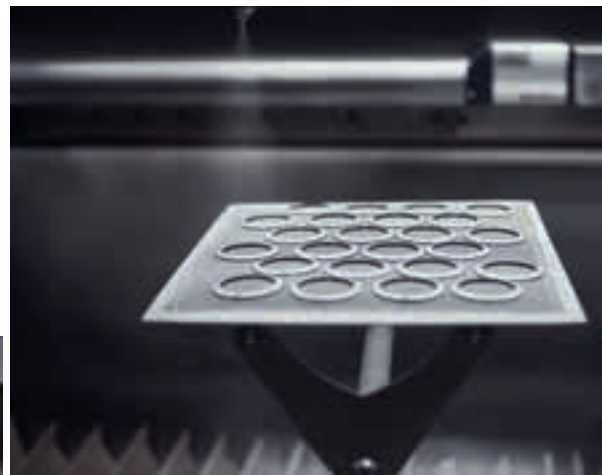
At the same time, driven by a desire to step up its key activities and accentuate synergies and verticalization with other Swatch Group companies, CHH Microtechnique participated in the redistribution of various capabilities, notably with the transfer of its precious components machining unit to Nivarox-FAR.



9



10



Finally, one of the most significant elements in 2018 was the official launch of the project for a new building that will enable CHH Microtechnique to operate in a modern environment through maximized production flows. This far-reaching project could be completed by the end of 2020.

**Nivarox-FAR**  
[www.nivarox.com](http://www.nivarox.com)

9/10

### **Growth and high technology**

For Nivarox-FAR, 2018 was marked by significant growth in many sectors of activity as well as by various technological developments.

Swatch Group, with the support of Nivarox-FAR, took a new step in the battle against magnetism with the development of Nivachron, an alloy used to produce non-magnetic balance springs. At the same time, Nivarox-FAR continued its research into new technological materials in order to keep its products at the forefront of Swiss Made watch chronometry developments.

In 2018, in addition to its traditional laboratory, Nivarox-FAR strengthened its skills by obtaining a commercial assayer's license (following the one first obtained in 2017) and with the accreditation of its precious metals laboratory. The company can now assay gold alloys internally. The activities of these laboratories provide permanent support to the missions of more than 50 engineers in various sectors of the company.

Nivarox-FAR was also certified under the Responsible Jewellery Council (RJC) Code of Practice, formalizing its social, ethical and environmental commitments.

These developments also reflect the significant development of the precious metals smelting industry and the production of finished and semi-finished products, which should continue in 2019 with good prospects for the Crêt-du-Loche (NE) site.

In 2018, Nivarox-FAR also continued to verticalize its production through the development of its machining facilities for barrel components (shafts, drums and covers). At the same time, the company has increased its spring definition capacities and their application within the barrel.

The Fontaines (NE) plant remains a strong anchor point for microtechnology, particularly through the training it offers. Always very attentive to the training of young people, over the course of 2018, Nivarox-FAR welcomed around 40 apprentices to a large number of its sites in fields as diverse as micromechanics, turning, logistics, IT, administration and services.







11

11/12

### Comadur

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

2018 was an exceptional year for Comadur. For the Saphir line, it was the year in which the development of EFG (Edge-defined Film-fed Growth) technology was consolidated at the Bad Zurzach (AG) site with two additional crystal pulling machines. These were designed and manufactured by the industrialization department and offer several significant improvements, including modern, self-regulating control systems, thus paving the way toward the future of the production of pulled sapphire.

Also for the Saphir line, Comadur continued to expand its fleet of CNC machines for crystal machining. The automated felt-ing lines, acquired in 2017, are now fully operational.

These multiple investments therefore enable Comadur to meet the needs of all Swatch Group brands in terms of Swiss Made sapphire crystals.

For the Ceramics line, activities relating to industrialization of new processes were also in great demand throughout the year, particularly for the manufacture of new materials, but also for the machining and finishing of glasses.

Industrial enamel coating was carried out in 2018 on ceramic glasses and now makes it possible to produce in volume the elegance sought by Omega for its Seamaster Diver 300M and Planet Ocean models.

The R&D department also focused on several developments of new materials called Cermets, which combine lightness, hardness and brilliance, and from which Rado's DiaMaster line now benefits. This achievement is the result of the joint development undertaken by several Swatch Group companies, which combine 90% high-tech ceramics and 10% metal binders. The color, grey or pink, is not the result of a surface coating, but instead of a transformation at the heart of the material.



13



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At the same time, two new Rado silicon nitride squares ( $\text{Si}_3\text{N}_4$ ), one brown and the other bronze, were developed and perfected to perpetuate the lightness initiated with the HyperChrome grey silicon nitride model.

This extremely hard and high-performance ceramic material is known for its exceptional resistance to thermal shocks and impacts, which is why it is also used in the production of "high-tech" applications. While its hardness of 1450 Vickers makes it highly resistant to scratches, its density of  $3.4 \text{ g/cm}^3$  – less than half that of high-tech ceramics – makes this material ultralight and particularly comfortable.

### Rubattel et Weyermann

13/14

Rubattel et Weyermann is now using the potential offered with a fantastic industrial structure, which is progressively being transformed, along with its machinery, according to the needs of its customers. On a daily basis and from an organizational standpoint, the emphasis has been placed on supporting employees and the specific development of certain professional skills in order to better embrace new technologies. The latter are omnipresent in all sectors, in terms of assistance to employees in production as well as in production controls. As a result, technology now contributes to ensuring increasingly present and demanding compliance levels. However, above and beyond technology itself, the quality of Rubattel et Weyermann's teams remain at the heart of its daily consideration and choices. In 2018, all these parameters enabled the company to significantly increase production compared to the previous year.



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While new production means were certainly acquired, the industrial shift would not have been possible without major reorganization. A production line set-up process, involving line managers and skilled specialists, reinforced the management and achievement of production objectives, which now include a permanent production line dedicated to the creation of prototypes.

### **MOM Le Prélet**

15

MOM Le Prélet has the distinction of being entirely dedicated to the production of dials for Swatch Group's prestigious brands. The opportunity to meet a very specific need places this company in a clearly privileged and exciting environment. Using the most noble materials and advanced decoration techniques, MOM Le Prélet stands out above all for the depth of its expertise.

2018 was a year of cultural transition. Historically rooted in a manufacturing dimension, MOM Le Prélet now uses highly technological tools to meet the ever-increasing expectations of the prestige brands.

The skills are extensive and the teams are committed to developing products as well as new projects on-site.

With one foot in the future, the necessary medium- and long-term thought processes are underway to make this site a showcase of skills for the brands.

All these elements point to good prospects, which are naturally part of a more global strategy.

### **Universo**

16/17

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

Universo, a leading manufacturer of hands and supplier of applique dials, enjoyed an extremely positive year in 2018. The significant orders booked in the first and second quarters reflected the momentum of exports on the one hand and the desire of Swatch Group brands to secure a corresponding supply on the other. All production lines, both for hands and dial appliques, had to adapt their capacities to this situation by recruiting a large number of employees. The lull in the third quarter led to a decline in the backlog of orders, leading to an upgrade of the production plants' capacity and resources.

Research into and development of new products, innovative materials and other processes continued in 2018 in line with previous years. An example of this was the completion of cutting and stamping press compliance in accordance with legal requirements. Old key presses were replaced with new hydraulic presses, specially designed for Universo's needs.

The objective of eliminating the need for 5N color galvanic treatments was achieved by delivering a series of hands with PVD (Physical Vapor Deposition) coating. The quality of the pieces produced justified the investments made in 2018 to register other PVD colors in the future, making it possible to double the capacity of this process in the medium term.

To ensure optimal comfort for employees carrying out adjustment operations or manual finishing of hands, latest-generation ergonomic workbenches were installed in all the workplaces concerned.

The IT project relating to standards and linking the company to other Swatch Group companies made significant progress. As a result, the EDI (Electronic Data Interchange) environment now connects Universo with all Swatch Group's major watch brands.





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**L A S C O R**

### **Manufacture Ruedin**

18/19

Faced with significant growth, optimization of its production facilities enabled Manufacture Ruedin to be responsive in order to meet the strong demand from Swatch Group brands.

The development of new products in collaboration with Swatch Group brands is a key activity of the company. Professionalism was the keynote in supporting the company's customers in the development of products such as the Constellation Manhattan "ladies" collection and the new Seamaster Diver 300M for Omega. For Longines, efforts were made to introduce the Ø 36 size in the Conquest V.H.P. range, the Ø 40 size in the Présence line and the version of the Conquest V.H.P. three-hand models with ceramic bezels.

Particular emphasis was also placed on significantly reducing energy consumption. Investments in this direction were made and incentives for soft mobility were implemented.

To secure its future, Manufacture Ruedin will continue to renew and invest in its machinery, particularly in the polishing sector, in order to maintain its competitiveness and strengthen the quality of its products. This must, of course, be accompanied by adequate training of its staff, to continue to offer its customers high-quality service.

### **Lascor**

20/21

In 2018, Lascor consolidated the process of transforming its business towards an industrial business organization model by continuing to reorganize production processes and methodologies and specializing in the manufacture of high-end steel bracelets and parts for the Swatch Group brands.

In the new Casorate Sempione (Italy) production facility, where the first phase of the bracelet production cycle takes place, mechanical work on large series was intensified and the production on the rolling and drawing line for basic products expanded gradually.

All phases of mechanical finishing, polishing, cleaning, manual finishing and assembly, always accompanied by constant quality controls, are now carried out at the historic Sesto Calende (Italy) site, where the renovation of the infrastructure is ongoing and an extensive line automation program is underway.

The partnership with Swatch Group brands for the design and development of new products is becoming even closer. The project planning and management stages are supported by PLM (Product Lifecycle Management) and production management is increasingly based on the application of lean principles and logic.

In 2018, Lascor obtained the renewal of its ISO Quality, Environment and Safety Certification.



22

## SIMON & MEMBREZ

HABILAGE HORLOGER HAUT-DE-GAMME



23



24

### **Simon Et Membrez**

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

22

Simon Et Membrez continued the momentum seen in 2017, once again achieving significant volume growth in the case and bracelet sector.

The investments made by Swatch Group in its wristband business made it possible to achieve the objectives that had previously been set.

The merger of the Manufacture Ruedin and Simon Et Membrez sites under the same management also resulted in significant synergies, leading to an increase in production volume at both sites and better collaboration between the two Swatch Group companies in the region.

Simon Et Membrez optimized all its production processes, particularly within the mechanical and stamping department, where the use of the P2001 triple action hydraulic press has reduced throughput times by 70% on certain high-volume models.

The new quality strategy was better consolidated in 2018 by assigning greater responsibility to the production departments and through the development of new products.

At the heart of all the improvements is the entire staff, which Simon Et Membrez still considers to be the key element of its success as it approaches 2019 with great enthusiasm and stability.

### **Novi**

23/24/25

Following a strong increase in volumes in 2017, Novi enjoyed continued high production volumes in 2018 while advancing its development. In order to be able to meet its customers' requirements, Novi developed and modernized the tools used for watch finishing (T2) and also improved the ergonomics of its workstations. A two-shift operation was in place from the beginning of the year to increase the production capacity available to Swatch Group brands.

In the field of mechanical movement assembly (T1), Novi is experiencing a strong increase in production with regard to the Omega 1861 "Moonwatch" caliber and families. The company also integrated the assembly of new complications for one of the Swatch Group brands. To increase efficiency and benefit from better performance, T1 activities were grouped on the ground floor and T2 activities on the upper level. In terms of safety, washing facilities have been replaced with the most recent equipment.

With the support of its committed and involved employees, the company has demonstrated flexibility, versatility and responsiveness in providing quality service in all its areas of activity. Always looking to the future, the company will continue its development, further increase its performance and respond effectively to its customers' requests. In order to achieve this, consideration will be given to potential new production premises.





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### **Swatch Group Assembly**

26

For Swatch Group Assembly, with the arrival of a new CEO, 2018 was a year of innovation and openness.

Innovation that goes hand in hand with tradition: manual assembly was complemented by the integration of automation machines for the water-tightness-testing and battery installation phases.

Openness to change was demonstrated by employees who committed themselves to the adoption of Lean methodology and generating significant improvements in the First Pass and Lead Time rates.

In view of the excellent results obtained, the Lean laboratory will be further extended in 2019.

The first beneficiary of the new processes was the Longines line. Close collaboration with this brand and the certification of more than 30 people working in production have enabled Swatch Group Assembly to double volumes and to significantly reduce waste and repairs, thus further strengthening the commitment to quality.

This is the success model that Swatch Group Assembly intends to extend to its customers, by customizing the production sectors according to the distinctive characteristics of each brand.

### **Dress Your Body (DYB)**

27/28/29

In 2018, Dress Your Body (DYB) experienced a robust recovery in its business volume, particularly in the field of component manufacturing, mechanical and traditional gem-setting as well as in the artistic crafts.

The versatility of the company's employees made it possible to absorb peaks resulting from the renewed order volume by using the available resources efficiently, while the production structure was enhanced with polishing and laser engraving capacity able to handle the volume generated by the large number of orders for composites manufactured, gem-set, finished and ready for assembly.

The reintegration of the machine hall and the acquisition of new automated production facilities resulted in an increase in capacity in terms of mechanical preparation for gem-setting, as well as the manufacturing of both small complex series and large series.

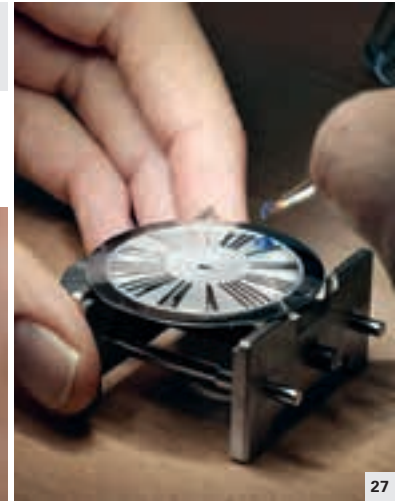
The change in the scale of the volumes manufactured led to an even stronger integration of the quality approach throughout the production line, resulting in the acquisition of modern measuring equipment installed with the objective of delivering the entire range of products according to the criteria defined by clients.

In terms of jewelry, DYB enriched the Omega Ladymatic line with an earring collection. The art of enamel was in the foreground in 2018, as evidenced by the enchanting atmosphere of the Luxury Trésor dial, whose diamonds and shimmering enamel share the spotlight. A more inventive and technological approach saw engravings on Speedmaster ceramic bezels enhanced with subtle enameling.

DYB



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The purchasing center for the acquisition of diamonds and precious stones for brands, DYB GEMS brings together experts in gemology and procurement. DYB GEMS is involved in the development of its customers' products and in this capacity, it continued to advise them during the selection and procurement process.

2018 was marked by a recovery in demand. Anticipating this and leveraging its global market knowledge, DYB GEMS once again ensured that Swatch Group brands were supplied at the best market conditions while strictly maintaining quality standards.

The recent appearance of undeclared synthetic diamonds on the watchmaking market had no impact on DYB GEMS' supply, as the company's experts had foreseen this for several years. The strategy implemented by DYB GEMS in close partnership with its suppliers, laboratories and the most efficient equipment manufacturers clearly demonstrated Swatch Group's leadership in the field, while enabling DYB GEMS to guarantee its customers the integrity of diamond products at a level unrivalled in the market.



29



# ***ELECTRONIC SYSTEMS***





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3

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

1/2/3/4

In 2018, EM Microelectronic delivered solid growth in line with the sales plan and with the overall trend in the electronics industry. All three business areas increased their revenue, supporting a balanced regional approach.

The company's focus was on using its watchmaking DNA for developing innovative applications around GreenInternet-of-Things (IoT) and user-friendly smart objects. The pillars are Time, Energy, Sensing, Interfaces, Communication and Customization, supported by a solid industrial footprint for providing Swiss-quality, tailor-made solutions that make EM Microelectronic's customers unique. In line with this strategy, EM Microelectronic successfully launched several new businesses in 2018 with new customers.

A new world record was established by Swatch Group companies in 2018 thanks to EM Microelectronic technology. The groundbreaking EM3028 Extreme low-power Precision Real-Time Clock module launched by EM Microelectronic in cooperation with Micro Crystal achieves a staggering 30 seconds precision over one year, leading the way for green IoT applications, with 50% extended battery life compared to its closest competitor, at twice the accuracy.

Further supporting Swatch Group needs, EM Microelectronic introduced a new, Swiss-Made solar cell display module with Memory in Pixel and capacitive touch sapphire glass for watch applications.

The electronic module business showed substantial growth and became a steady, mature activity of EM Microelectronic, integrating components from several Swatch Group companies. EM Microelectronic successfully launched a ruggedized industrial module for tracking assets over large outdoor distances. Its exceptional robustness makes it suitable for usage in the harshest environments.

EM Microelectronic also released a new generation of Bluetooth beacons, doubling the range and battery life while lowering the deployment cost. Building on the successful EM9304 Bluetooth Low Energy chip, these modules dramatically reduce the deployment barrier for asset tracking, indoor navigation and other location-based services, bringing Industry 4.0 implementations within the reach of any company.

In the Smart Systems segment, EM Microelectronic released a specialized solution for small accessories for phones, PCs and tablets, integrating sophisticated sensing and signal processing capabilities into an extremely small space. This solution brings the human-machine interface into new territories, creating a seamless user experience for the most demanding activities in that field.

In the same field of booming new consumer applications, EM Microelectronic developed and introduced an optical shutter technology, offering unique functionalities for augmented reality and other smart eyewear.

The Motion and Optical Sensing business experienced significant growth, driven by the optical sensors and pressure sensor interface products for consumer electronics. Moreover, EM Microelectronic strongly focused on developing the Augmented RFID concept, combining sensing capabilities with passive radio communication, a key pillar for enabling its Green IoT vision.



renata  
batteries



4



5



6

In 2018, EM Microelectronic's front-end fab continued the implementation of its next-generation technology for best-in-class low-power/low-voltage products, which will be a key asset supporting EM Microelectronic's strategy and is already being designed into new products, currently in development.

EM Microelectronic, in order to support its long-term strategy, also refreshed its marketing focus, launching a new website and a new company logo, as well as increasing its social media presence and industry profile. This approach supports the overall evolution of EM Microelectronic's business segments and customer profiles.

In 2019 EM Microelectronic expects to continue the growth trend, based on a balanced customer and application portfolio, to outperform the market.

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

5/6/7/8

During the year under review, the battery market underwent profound changes, which resulted in significant opportunities. Renata is well on the way to mastering these changes and maintained a high performance level during this period of transformation.

In the field of original equipment for watch manufacturers, Renata took advantage of the slight upturn in the position of Swiss watches on the world market. Indeed, the Itingen-based company (BL) is the preferred choice for almost all Swiss-made quartz watches.

In the watch replacement market, Renata considerably optimized its distribution system. The beneficial effects desired by this measure are already being felt, although a slight decline was experienced, particularly in the first half of the year.

As a result of the latest developments, lithium primary cells are once again in a prime position. Nonetheless, the sector of batteries with special conductive contacts has had to contend with changing market conditions, thus requiring an adjustment of the distribution strategy.

The new flexible thin-film cells, with a maximum height of 0.5 millimeters, were very well received. As a result, samples were created for a number of new projects. The first serial deliveries began following the launch of the first fully automated dedicated production line.



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Further production optimizations and product extensions were made to the first facility equipment designed to produce rechargeable button cells, which began operation in 2017. A large number of interesting applications are already planned for the future.

Production was further supported by the continuation of several projects to improve manufacturing processes, such as the implementation of a shop floor management system for the entire company.

Renata's activities were once again backed by numerous joint appearances at fairs or exhibitions alongside other Swatch Group companies. Renata once again took part in the Wearable Technologies Show in Santa Clara (California), at the JCK exhibition in Las Vegas, and at JIIDA in Los Angeles. Also in 2018, Renata participated, along with Micro Crystal, in the MD&M West in Anaheim (USA). Together with Micro Crystal and EM Microelectronic, Renata was present at Embedded World in Nuremberg and at Electronica in Munich. The company also took part in Baselworld, together with ETA Manufacture Horlogère Suisse. In addition, Renata visited the Hong Kong Watch & Clock Fair in Asia and the China International Import Expo (CIIE) in Shanghai.

9



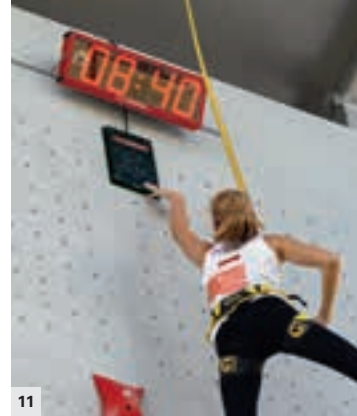
**Micro Crystal**  
[www.microcrystal.com](http://www.microcrystal.com)

9/10

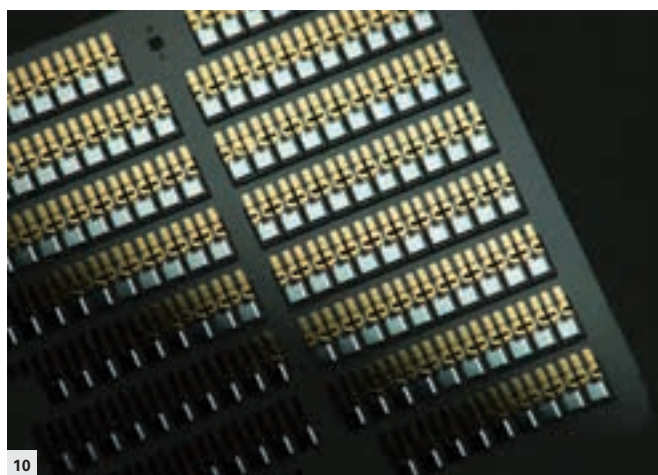
In 2018, Micro Crystal's commercial policy, implemented in recent years to develop and market new innovative and high-quality time measurement products, fully paid off. Despite a highly competitive environment, the company significantly increased both its gross margin and its profit. It intends to continue along this path even more strongly while maintaining and optimizing its mass quartz crystal production. For Micro Crystal, this approach is of strategic importance, since it enables the company, as the only non-Asian mass producer of quartz tuning forks, to supply Swatch Group with competitively-priced Swiss-made quartz crystals.

The production capacity of integrated watch modules was increased during the year under review. These modules are used, for example, in the manufacture of Longines V.H.P. (Very High Precision) watches. At the same time, developments with miniature real-time clocks, as well as experience gained in this field, are helping Micro Crystal to significantly increase the accuracy of its integrated watch modules. The integration of quartz and an integrated circuit in the same package, along with temperature compensation and other environmental influences, will soon enable Swatch Group brands to produce even more accu-





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rate quartz watches. The improved miniature integrated watch modules have extremely low power consumption, which guarantees long watch battery life. This progress in development was only possible thanks to the close cooperation between Micro Crystal and its sister companies EM Microelectronic and ETA Manufacture Horlogère Suisse.

The sales share of Real Time Clock (RTC) modules continued to increase at Micro Crystal in 2018 and the segment gained further importance. The product family was expanded and at the same time, the company launched new developments. The trend is towards increased functionality and a focus on different end applications. It aims to achieve the lowest possible energy consumption and increased timing accuracy, even under difficult environmental conditions. Within just a few years, Micro Crystal has become the leader in innovation in this field. Typical applications of its modules include Internet of Things (IoT) sensors, energy meters, electronic locking systems, surveillance cameras, security systems, automotive instruments and displays, and timers for battery management systems in electric and hybrid cars.

In 2018, several production steps were further optimized and automated. In addition, wafer production, a prerequisite for the manufacture of tuning fork quartz crystal, has been integrated into the main plant in Grenchen (SO). This simplified processes and also contributed to cost optimization.

**Swiss Timing**  
[www.swisstiming.com](http://www.swisstiming.com)

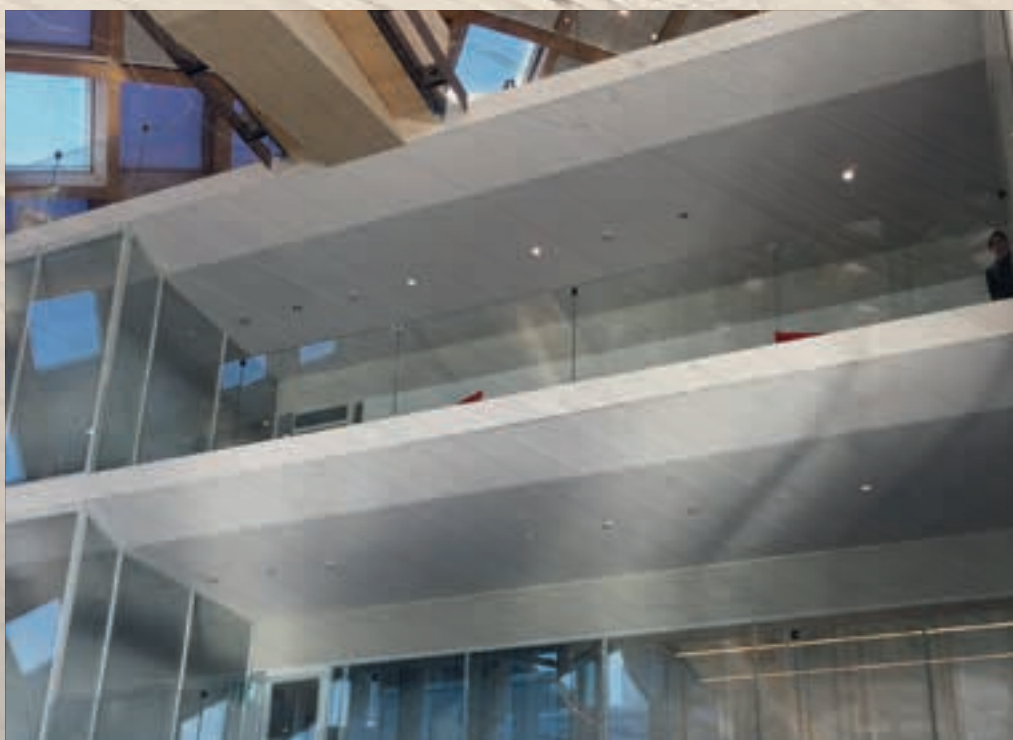
11/12/13/14

Swiss Timing, Swatch Group's sports timekeeping specialist, works with the brands to deliver state-of-the-art timing and scoring expertise at the world's top sporting events. 2018 was particularly challenging because of the magnitude of its competitions. Among these were the PyeongChang 2018 Olympic and Paralympic Winter Games with Omega. Swiss Timing introduced new technologies that recorded continuous measurements from start to finish at every event, indicating where time or points were gained or lost, along with a vast range of other key data. At the Commonwealth Games on Australia's Gold Coast in April, Swiss Timing, with Longines, provided timing and scoring for 6470 athletes and officials from 71 nations and territories. June saw the debut of the Longines Tracking System at Ascot. It provides instant data on the exact position of horses during a race, race rankings, the distance between horses and acceleration and deceleration information. In August and September, representing Tissot, Swiss Timing lent its expertise to the Asian Games in Jakarta, a true spectacle where more than 380 specialists timed, scored, and recorded the results of 10000 athletes from 45 nations. With Omega at the Buenos Aires Youth Olympic Games, Swiss Timing recorded the dreams of the world's best young athletes. Events like climbing and roller skating brought some brand new challenges, all met successfully as emerging stars proved themselves ready for the biggest stage of all: the Olympic Games. The year ahead will again keep Swiss Timing fully engaged. At high-profile events – the FIS





**CORPORATE,  
BELENOS**



THE SWATCH GROUP RECHERCHE ET DÉVELOPPEMENT SA

**ASULAB**



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3

### Swatch Group Research and Development

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

### Asulab Division

As Swatch Group's central research and development laboratory, Asulab's core mission is to design technically innovative watch products, subsystems and watchmaking components, as well as to develop the state-of-the-art technologies and processes required for their manufacture. Once again in 2018, Asulab fulfilled this mission by offering the brands and manufactures the expertise and high-performance equipment required to achieve the original products presented at a range of events as well as for the industrialization of new processes and components.

Asulab continued to work closely with Swatch Group companies and brands and completed joint projects to ensure that the technical results corresponded as closely as possible to expectations. The acquisition, implementation and development of new competencies and technologies through targeted collaborations with renowned research institutes both in Switzerland and abroad remain key objectives for Asulab with a view to finding new opportunities.

Results in 2018 were once again excellent, thanks to the multidisciplinary nature of the knowledge base at Asulab and the good working relationship with internal Swatch Group partners. Among some significant examples was the qualification of several new industrial processes enabling mass production of ex-

tremely beautiful internal and external decorative components requiring no adjustment whatsoever. These modern, competitive manufacturing techniques are now operational on all the relevant Swatch Group sites.

The development of specific processes particularly allowed the brand to create a watch strap made of a new and original leather. The model was presented at an international event before being produced in a limited edition of several thousand units.

After several years of development in collaboration with both the producer and the client, a new generation of primary cell battery, significantly increasing the autonomy of a quartz watch while reducing the use of critical material, was used in various models on the market.

Finally, several other innovations were completed and will be industrialized for the brands and manufactures. Progress has also been made with regard to the means of displaying information and will lead to the creation of original products in the future.

### Division Moebius

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

2/3

A division of The Swatch Group Research and Development Ltd, Moebius specializes in the production and commercialization of lubricants and epilames used in the field of cutting-edge micro-technology. These products are specially designed to meet the technical and specific requirements of watchmaking. In 2018, in order to confront the challenges of the future, Moebius pursued its programs focusing on development and innovation, notably through close collaboration with the Asulab division, Swatch Group production companies such as ETA Manufacture Horlogère Suisse and Nivarox-FAR, and prestigious brands such as Breguet, Blancpain, and Omega.



## CDNP



4

### **Division CDNP (Centre de développement des nouveaux produits)**

4/5

In 2018, the CDNP (Centre de développement de nouveaux produits) continued to expand its services and coordination activities exclusively for the benefit of Swatch Group brands and manufacturing companies. CDNP's newly-acquired skills in coordinating and synchronizing technology watch activities, as well as incubating disruptive technologies before they are industrialized, led to an acceleration of operational projects in the fields of additive manufacturing, powder engineering and industry 4.0 this year.

The digitization of research and development activities was expressed through the implementation of pilot Artificial Intelligence (AI) tools for technological monitoring, along with collaborative knowledge bases which consolidate and increase agile access to watch engineering know-how. The digitization of product creation – from design to prototyping – makes it possible to bring to life the digital twin of new watch models in parallel with their industrialization. Realistic renderings and 3D animations feed digital media and enliven sales networks.

CDNP's historical expertise in the construction of watch exterior modules, mechanical operations and 3D modeling has been strengthened with additional capacities designed to best serve brand innovations.

These digital (r)evolutions have been accompanied by major investments relating to realistic 3D rendering software, 3D printing equipment – for polymers, metals and ceramics – as well as new numerical control (CNC) machining equipment.

The CDNP continued to expand its network of collaborations with key partners, including Swiss schools, universities and research institutes, with which several Innosuisse (former CTI) projects have been implemented. International academic and industrial partners completed the field of innovation opportunities.



5

The portfolio of skills and expertise of CDNP employees has been enriched in perfect harmony with these 4.0 transformations, thanks to the incorporation of new talents and the acquisition of new targeted skills.

### **ICB Ingénieurs Conseils en Brevets**

6/7

The key missions of ICB Ingénieurs Conseils en Brevets are to protect Swatch Group's technical innovations, to enhance its technical assets, to provide market surveillance and to combat counterfeiting.

In 2018, ICB continued its activities to identify technical innovations in the various Swatch Group companies and research and development divisions in order to ensure optimal protection of its technological assets. The number of new patent applications filed to protect Swatch Group company developments was higher than in previous years. This was the result of the continued awareness – among all those involved in research and development – of the importance of patents as part of the strategy of an innovative company, and maintaining an efficient synergy between ICB and all the engineering and research teams from the different Swatch Group companies. This year once again this collaboration was particularly important, not only in the watch industry, but also in the company's non-watchmaking activities.

Fig. 2

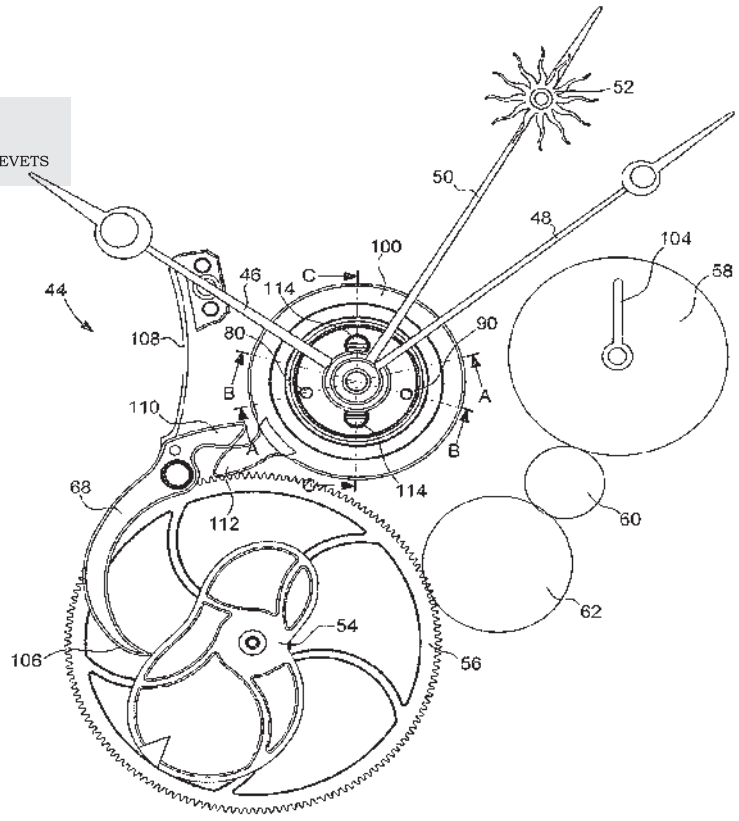
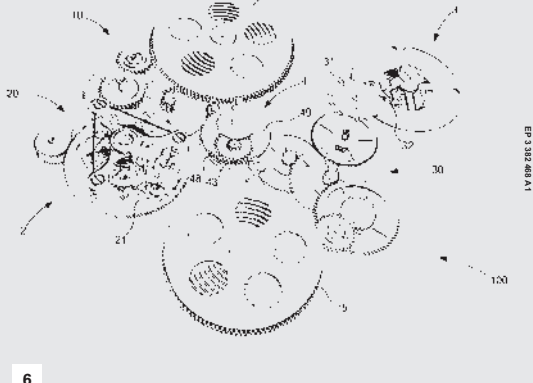


Fig. 1



Substantial efforts were made to support the brands' market penetration strategies. To this end, financial investments to obtain patent protection in Switzerland and abroad for new products and new developments continued in a targeted manner, in order 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 wherever and whenever this was necessary.

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. Consequently, ICB's end of year financial results were positive and in line with the budget forecast.

**Swatch Group Quality Management**

The mission of Swatch Group Quality Management (SGQM) is to supply Swatch Group brands and manufacturers with technical services that enable them to ensure their products' legal conformity and compliance with international standards. The provision of a quality assurance system, as well as the promotion of continuous product and process improvement, is at the heart of Swatch Group Quality Management's mission.

**Legal compliance**

**In 2018, SGQM monitored the evolution of the following legislation:** REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals): A new restriction on 33 substances used in leathers and textiles was adopted in October 2018 in line with Regulation 2018/1513 and will come into force in November 2020. The substances in question are not used intentionally by Swatch Group companies. The majority are, in fact, already restricted according to the company's supply chain specifica-

tions. Additionally, 23 substances were identified as being of very high concern (SVHC: Substance of very high concern) in 2018. Although these are not prohibited by REACH, Swatch Group voluntarily chooses to ban the use of these substances in its products.

**Optometry**

In view of the key importance of the aesthetic quality of products, a project was implemented for employees active in visual inspection. Drawing on the experience of the brands and production companies, along with specialized institutions, two priorities were identified:

- The first focuses on the visual capacity of each employee by offering personalized monitoring and the provision of the best devices to ensure that each one can perform his/her work at the highest levels.
- The second is intended to arrange the working environment in such a way as to create optimal conditions for constant visual performance throughout the day and week.

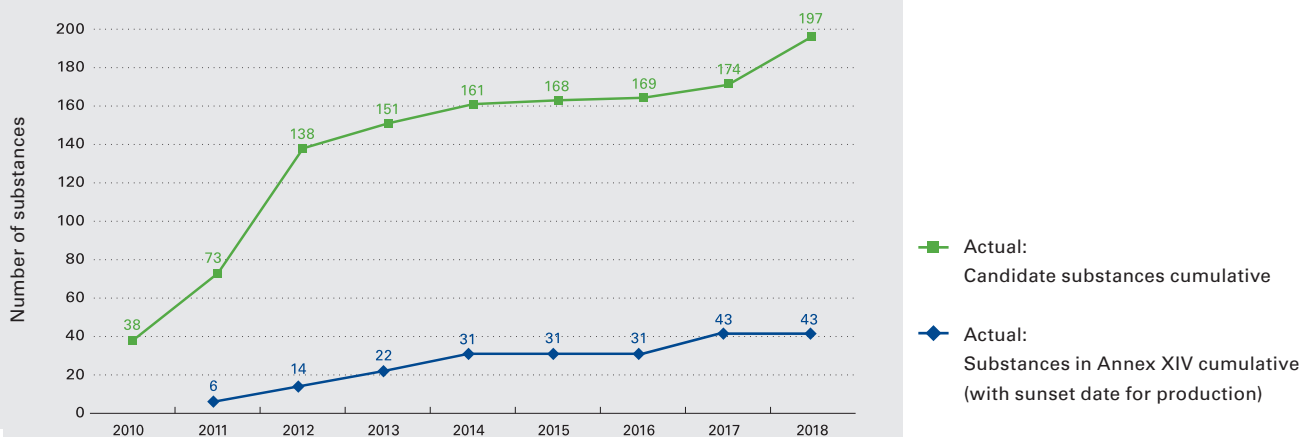
**Continuous Improvement and Standardization**

**Seminars:** Always eagerly anticipated, a large number of seminars were held in 2018 by the SGQM team in the areas of materials, parts and construction. All of these make it possible to share within Swatch Group the skills and knowledge essential to product improvements.

**Standards and specifications:** International (ISO, IEC, EN) and national (NIHS) standardization aims to meet needs expressed by industry, consumers (society), institutions and governments.

Every year, many standards essential to the Swatch Group and the Swiss watch industry are developed or revised under the guidance of SGQM and experts delegated by the brands, manufacturers or the company's research and development division. Their objectives are to:



**REACH: SVHC candidate development list + SVHC subject to authorization for production according to Annex XIV**  
 (SVHC: Substances of very high concern)


8



9

- reduce national/international technical barriers,
- obtain consensus between the different market players,
- define the requirements and/or final specifications of a product,
- define test procedures and methodologies.

### Swatch Group Services

9/10/11/12

#### Division European Distribution Center (EDC)

The European Distribution Center (EDC) division insourced export declarations and started to handle the full export process for all the Swatch Group brands. Assigning these tasks to a central entity allowed for great synergies and was highly automated. The e-commerce business was further extended and Longines' internet sales are now distributed centrally from the EDC, while Rado's e-commerce activities were extended to the UK and Germany and Swatch's to the Nordic countries. Also, the distribution of accessories sold via e-commerce for Omega, Longines and Hamilton was implemented. To meet e-commerce needs, the shipping of Swatch and Flik Flak in Europe now allows next-day deliveries for customer orders placed later in the afternoon. Deliveries in the Swiss Market were possible even later in the day. Renata now distributes to Italy so its batteries are being delivered directly to all points of sales in Italy, France and Germany.

#### Division Swatch Group Logistics (SGL)

Specializing in the implementation and management of supply chains including transport, storage, import and export, planning systems and logistics processes, the division Swatch Group Logistics (SGL) is developing its activities all over the world. Planning is optimized on a continual basis. Performance indicators are defined, monitored and analyzed, allowing for intervention if necessary and adaptation of flows, processes, systems, structures and training programs. With regard to transport, the centralization of expertise concerning the documentation and knowledge of customs formalities notably enabled negotiations with transport companies with a view to improving costs, as well as creating effective synergies. The SGL-Campus exchange platform successfully launched its second online course dedicated to order processing. Targeting the best possible supply chain management, it also offered various training options: e-learning, collaboration with schools such as the EPFL or the HEG (Neuchâtel, NE), workshops and more.

#### Division Swatch Group Information Technologies

The principle objective of the Swatch Group Information Technologies division in 2018 was to support companies in the ongoing digital transformation, by assisting them in defining new opportunities in different areas, such as Enterprise Resource Planning (ERP) and Product Life Cycle Management (PLM).

Extensive training of IT teams, infrastructure investments and a selection of methodologies and appropriate tools were carried out to ensure a proper transition in the coming years.

To support the development of the brands and production or distribution companies, new solutions were deployed in virtually every area, including e-commerce, retail and human resources, either through the use of standard software or through development teams.



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Additionally, other technologies such as hyper-converged infrastructure were implemented in data centers, making it possible to offer regional IT services to Swatch Group subsidiaries around the world. These new opportunities contributed to the optimization of the countries' IT resources and ensured an adequate level of security in cases of, for example, disaster recovery.

At the same time, to ensure the proper functioning of systems and solutions, the IT landscape was continuously monitored and maintained, guaranteeing maximum round-the-clock availability.

#### **Division Swatch Group Corporate Customer Service (CCS)**

Building on the previous years' achievements for sustained success and in line with its customers' expectations, the Swatch Group Corporate Customer Service (CCS) division worked closely with brands and subsidiaries on key projects that ensured the continuous delivery of value-added services to its customers and brands.

**Watchmaking Training Programs:** Perfecting the skills of time-piece maintenance is a relentless passion built into the fabric of Swatch Group Customer Service. The Nicolas G. Hayek Watchmaking School at Shanghai University moved to the new Baoshan Campus, following the School of Mechatronic Engineering and Automation. The one-year watchmaking course was successfully rolled out in Kuala Lumpur. The first *Train the Trainer* program was launched and is ready for its worldwide rollout.

**Communication:** In order to improve customers' experience, a multi-channel communication platform concept was established. China will be the first country going live with an integrated solution in 2019.

**IT Systems:** Sustaining the implementation of an Enterprise Management System, the CS organization in Thailand and the Swatch brand successfully migrated to the latest version of the Swatch Group CS IT platform. In order to enhance the communi-

cation with end customers and service centers, the relevant systems were redesigned and adapted. To have an online visibility on all the CS operations aspects, the CCS is working on the implementation of a dedicated business intelligence solution (BI Cube). In France, a comprehensive business process reengineering of the CS organization is ongoing for a new CS setup planned for the second quarter 2019.

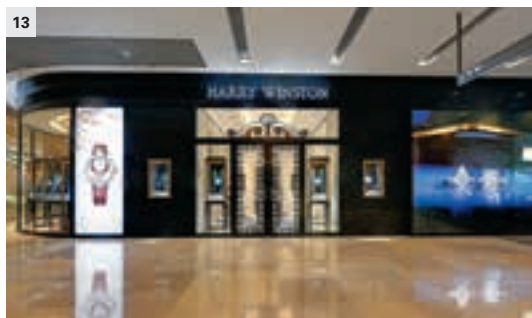
**Subsidiaries CS Layouts:** Direct interaction with its end customers is an invaluable opportunity to demonstrate excellence in customer service. In optimizing process/flow and visual appearance of CS operations in Greece and Australia, a new CS experience was offered to valued customers.

#### **Real Estate Development Division**

The Real Estate Development division had a busy year in 2018 with Swatch Group companies both in Switzerland and abroad.

The process of updating and upgrading of the real estate portfolio and improving the infrastructure continued, notably at Blancpain in Le Sentier and Le Brassus (VD); Comadur in La Chaux-de-Fonds (NE); Longines in Saint-Imier (BE); Manufacture Ruedin in Bassecourt (JU); Nivarox-FAR in Charquemont (F); Crêt-du-Loche and Fontaines (NE); Renata in Itingen (BL); Simon Et Membrez to Delémont (JU); Tissot in Le Locle (NE), as well as in Biel/Bienne (BE) with Omega, Swatch Group Les Boutiques, Swatch Group Quality Management and Swatch Group Services. This work is part of a policy of continuously improving the safety of people at work and corporate values, as well as maintaining production facilities. They also respond to a desire to optimize and verticalize production flows, with the aim of improving infrastructures in order to improve production quality. At the same time, they give concrete expression to the company's policy of reducing the consumption of water, fossil fuels and electricity.





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The Swatch site in Biel/Bienne is well-advanced with the construction of buildings that will progressively become available to the brand at the beginning of 2019.

The Real Estate Development division also provided a range of consulting, feasibility and design development services to the various Swatch Group subsidiaries and brands. It was notably responsible for coordinating their participation at Baselworld 2018 from March 22 to 27, with the construction of 16 stands in an exhibition and sales area totaling 10000 square meters.

Finally, the specialists of the Real Estate Development division have very actively contributed to developing or renewing the vast network of boutiques for Swatch Group's most prestigious brands, including the Harry Winston salons in Istanbul, Hong Kong, Monaco, San Francisco, Singapore and Zurich, as well as its shop-in-shops in key locations around the world.

**Swatch Group Immeubles**  
[www.swatchimmo.ch](http://www.swatchimmo.ch)

13/14/15

For Swatch Group Immeubles, 2018 was characterized by intense activity in the management of a large rental base consisting of more than 5000 rental properties, mainly in the cantons of Bern, Jura, Neuchâtel, Solothurn and Vaud. The company manages the real estate that is part of the Swatch Group Pension Fund and Fondation d'Ebauches S.A., 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 the brokerage agreements that Swatch Group Immeubles successfully managed on its clients' behalf. This positive development helped reduce the number of objects for rent as well as brokerage agreements. The company intends to continue advising its clients on real estate matters as well as providing follow-up on the implementation of real estate operations.



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**Belenos Clean Power**  
[www.belenoscleanpower.com](http://www.belenoscleanpower.com)

16/17/18

### Batteries

The pilot production of vanadium-based cathode equipment began with the new reactor that had been successfully tested the year before. The quality of the cathodic product thus synthesized and tested over several months demonstrated improved properties, including its energy, lifespan and the number of possible charge and discharge cycles. The accumulated results are promising for the design of a machine for the production of large volumes of cathodic product (several tons per day).

In terms of cell production, the current battery market is increasingly moving towards high-energy batteries that no longer use graphite as a constituent element of the anode, but instead, materials with increased capacity, such as silicon or lithium metal. In order to exploit the extremely high capacity of cathode equipment to its full potential, special effort has been devoted to developing the next generation of very high-energy anodes. This represents a significant energy advantage while avoiding problems related to competing materials such as cobalt, which is not used by the company, or reducing safety to achieve increased capacity, not applicable to Belenos Clean Power equipment. Small cells including the electrolyte solution, one of the key components for increased safety and longevity including these high energy anodes, could be effectively cycled (charged and discharged).

In order to remain in the technology vanguard for the next five to ten years, the number of staff members responsible for producing solid-state batteries continues to grow. This type of battery will offer an advantage in terms of safety and non-flammability of the electrolyte, as well as energy, weight and reduced volume.

### EL-Lab electronics laboratory

The EL-Lab electronics laboratory focuses its know-how on the development of new concepts and test benches related to the needs of Belenos Clean Power. Its services are also used by other Swatch Group entities.

Omega's solar installations, consisting of Belenos micro-inverters, have been in operation since April 2017 and produce electrical energy in a satisfactory manner. These three solar fields are monitored remotely to control their production and detect any anomalies. The installation in the new Swatch building was completed by the end of 2018.

In 2018, efforts were focused on the electronics needs of the "battery" project. Ideas, concepts or patents are put into practice and produced in the form of prototypes including the hardware and software parts.

A test bench for the compressor, including tests in an automotive environment, is being developed. Similarly, a battery management system that integrates all the functions necessary for the proper performance of electrochemical battery design is under development.

### High-speed compressor

Given the accelerated production and marketing of electric cars, the mechanical department successfully tested high-speed centrifugal compressors for HVAC heat pump and fuel cell applications for the automotive market.

An innovative HVAC energy management system is being studied and will soon be tested in internal laboratories. The engineers are also working on preparing the industrialization within Swatch Group of these miniature compressors featuring high thermal capacity and high efficiency.

The compressors and their built-in electronics, weighing a total of 1.6 kg, will thus be able to develop the energy necessary to heat and cool the passenger compartment, batteries, traction motors and all the electronics embedded in an electric car.



**SWATCH GROUP  
IN THE WORLD**



**Swiss Market**

1/2/3/4/5

In its home market, Swatch Group continued to strengthen its leadership position in 2018.

In November, in pursuit of rare jewels and reaffirming that first-class diamonds are one of the pillars of the company's future, Harry Winston acquired the Winston Pink Legacy Diamond, an 18.96-carat stone of exceptional rarity.

Extending its long-standing links with the world of the sea, Breguet began its year by making official its support of Race for Water, a Swiss foundation dedicated to preserving water through the fight against pollution from plastic waste. For Blancpain, the first month of 2018 was dedicated to gastronomy through the brand's participation in the *Bocuse d'Or Suisse* as official timekeeper. Glashütte Original can look back on an excellent year in the Swiss market, recording good growth. Jaquet Droz organized various events in Switzerland. Highlights included the brand's anniversary exhibition at Zurich Airport, as well as an evening in the heart of Geneva inviting watch lovers to try their hands at the art of painting miniatures on dials. Rory McIlroy's visit to the Jungfrauoch (BE) "Top of Europe" in October was one of the highlights of the Omega year, during which he participated in a spectacular high-altitude challenge against three young golfers. 2018 was also marked by the opening of a new 220-square-meter boutique in Bern.

In January, Longines devoted an exhibition at Zurich Airport to its long-standing involvement in equestrian sports. As a Partner and Official Timekeeper to the International Ski Federation, the brand also contributed its expertise to Alpine skiing events in Adelboden (BE), Wengen (BE), Crans-Montana (VS) and Saint-Moritz (GR). As part of its dedication to tennis, Rado benefited from its role as sponsor of the Swiss Indoors Basel to present its latest products, including the HyperChrome Match Point Limited Edition tennis-inspired model. Union Glashütte achieved pleasing growth.

Tissot continued to gain further market share in its home market. The brand attaches great importance to its partnerships in the tourism sector, such as those with Jungfrau Railways, Reka and BLS or with cruise boat companies in the lakes of Biel, Neuchâtel, Murten and Léman. 2018 was sporty in every sense, from ice hockey with EHC B and Swiss Ice Hockey to cycling with the Tour de Romandie, Tour de Suisse or the UCI World Championships in Lenzerheide (GR). Local events like la Trotteuse-Tissot in la Chaux-de-Fonds (NE) and the partnerships with the Tissot Arena and Tissot Velodrome also generated great interest.

Switzerland remains Balmain's number one market in Europe and the brand strengthened its position by further expanding its selective distribution. In Frauenfeld (TG), as part of the third edition of the MXGP of Switzerland, Certina presented a new limited-edition chronograph. To mark its 100th anniversary, Mido was present at Zurich Airport throughout May. Hamilton organized a very special event with its partner Air Zermatt. Calvin Klein conducted an extensive communications campaign in selected train stations, including Zurich, Basel, Bern, Lausanne and Geneva.



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For Swatch, the launch of the SKIN Irony in May received fantastic national coverage over several months. The highlight of the year was the Swatch X You pop-up at Zurich Airport. In November, amazed customers were able to choose from different canvases for their personalized watches, which they received within about ten minutes. Kids' brand Flik Flak strengthened its digital strategy with a competition on Instagram.

As for distribution, Tourbillon organized, in partnership with several brands, highlights of its expertise and heritage, including a demonstration of Breguet guilloche, an exhibition celebrating Jaquet Droz's 280th anniversary and the celebration of Omega's Olympic sponsorship. A renovated Hour Passion boutique reopened at Geneva airport.

**Swatch Group Germany**

6/7/8

Swatch Group Germany can look back on a good year thanks to the expansion of digital distribution channels and a targeted approach to consumers.

Breguet focused its events on craftsmanship. Blancpain launched an initiative with Sylt Island's starred chef, Holger Bodendorf. The German Watch Museum Glashütte – Nicolas G. Hayek Foundation celebrated its 10th anniversary with its two founders, Glashütte Original Manufacture and the city of Glashütte. *Stern* magazine's exclusive visit to Jaquet Droz's workshops increased brand awareness. Omega hosted international guests at the Berlin Trésor event, and organized local events to launch the Seamaster Diver line.

Longines presented its new HydroConquest Ceramic in Germany with a 360° national campaign. Rado took the next step in its evolution with the launch of its first online store. Union Glashütte marked its 125th anniversary with a range of activities for consumers.

As one of the main sponsors of the classic Eschborn-Frankfurt cycling event, Tissot had a strong advertising presence on the circuit. Celebrating its 130th anniversary, Certina presented special branding around its DS Action Diver Powermatic 80. Mido celebrated its 100th anniversary with numerous attractions, including a travelling exhibition at Frankfurt Airport and a large outdoor campaign, while Hamilton's Khaki Field Auto Chrono played a leading role in the new Amazon Prime series, *Jack Ryan*, where it is featured on the eponymous hero's wrist. Calvin Klein thrilled crowds in Frankfurt's city center with a 12-meter-long window equipped with two large video screens.

Swatch launched the original EI GUDE Destination Watch Frankfurt. Enthusiastic bloggers and their children attended influencer events organized by Flik Flak. Finally, at Düsseldorf Airport, the new store window decorations brought a breath of fresh air to the Hour Passion boutique brands.



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**Swatch Group Austria**

9/10/11/12

Swatch Group Austria brands gained significant market share in 2018. The Breguet boutique implemented its international *Classic Tour* program with a spectacular event in the center of Vienna. Glashütte Original successfully continued to optimize its distribution network and organized numerous customer events. Omega focused its communication activities on the Olympic Winter Games, as well as on the launch of its new Trésor line and Seamaster Diver collection. Longines set the tone at local ski races and presented its new Conquest Chronograph by Mikaela Shiffrin in Sölden. Rado partnered with the Vienna Design Week and, as a partner of the Erste Bank Open in Vienna, demonstrated its sporting commitment to tennis. Union Glashütte joined forces with vintage car rallies such as the Silvrretta Classic. The brand celebrated its 125th anniversary with special decorations. Tissot focused its activities on the Tour de France, the MotoGP™ and, as the highlight of the year, the World Cycling Championships in Innsbruck, where it was the Official Timekeeper. Certina concentrated on the DS Action series, devoting several special display windows to diving. Hamilton successfully pursued its brand development and was the Official Watch at the Red Bull Air Race series at Wiener Neustadt. Calvin Klein presented its new products at an exclusive event. Swatch was the main partner to the major beach volleyball tournament in Vienna and organized an extraordinary side-event with the Swatch Beach Club.

**Swatch Group Belgium**

13/14

In 2018, Breguet created the *Classic Tour*, which explores craftsmanship through its Classique collection. Blancpain welcomed a selection of privileged guests to the Blancpain Race Weekend on the Spa-Francorchamps circuit. Omega launched the new Trésor. Its Seamaster Diver 300M model was debuted at the Antwerp Zoo Aquarium. Longines was present during two equestrian events in Belgium: the Lanaken and Mechelen show-jumping competitions. Its Record collection continued to prove successful. To celebrate the fusion of high-tech materials with nature, Rado integrated lush botanical life in its display windows. The partnership with ASO cycling races enabled Tissot to increase its visibility through showcase events. Balmain displayed the theme of its upcoming collections, Paris & Couture, by integrating new motifs on the dials. To celebrate the launch of the Certina DS PH200M watch, various points of sale, including Brussels Airport, were specially decorated for the occasion. Hamilton celebrated 100 years of timing in the sky; the brand's image was reinforced by its new display and onsite training sessions at points of sale. Calvin Klein increased its market visibility with tailor-made shop-in-shops and special decorations. Swatch's year was marked by the launch of the SKIN Irony, as well as a press event in Antwerp. Flik Flak stood out by offering children the opportunity to personalize their watch straps with their first names.



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### Swatch Group Netherlands

15/16

Omega launched the new generation Seamaster Diver 300M in the Aquarium at the Artis Royal Zoo Amsterdam. Longines and Rado strengthened their qualitative positions with a new shop-in-shop in de Bijenkorf Maastricht. Longines also created brand awareness with corporate and local events, increased press coverage and window decorations. Tissot focused on the “year of the retailer” with two major training events. Balmain maintained its unique market position and strengthened its customer base. For Certina, the DS PH200M launch was a big success and a great talking point. Hamilton celebrated 100 years of timing the skies with a virtual reality roadshow. Calvin Klein concentrated on branding OOH with tailor-made windows and special decorations. Swatch launched the Art Special PunkXJob designed by Studio Job and joined forces with the Rijksmuseum to launch three Swatch & Art watches with designs based on the museum’s collection. Flik Flak collaborated with large online platforms for mothers.

### Swatch Group Luxemburg

Throughout 2018, Swatch Group Luxemburg’s companies further assisted Swatch Group’s international development 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 mar-

ket environment. Located in the financial heart of Europe, Swatch Group Luxemburg benefits from the vast range of services provided by an internationally recognized and efficient banking and insurance system, which is regulated and supervised by national and European authorities.

### Swatch Group France

17/18/19

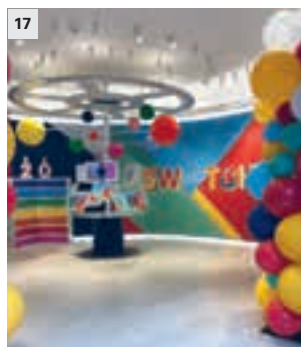
#### Paris in the spotlight

Paris, where it all began... Breguet created a *Breguet Classic Tour* exploring the must-see places visited by its founder: Place Vendôme, Le Petit-Trianon, Père Lachaise. For the launch of the new Blancpain Ocean Commitment limited edition, the brand invited some 15 lucky individuals to learn about static apnea in the company of the Italian multiple world record holding freediver, Gianluca Genoni. Glashütte Original celebrated cinema in its Paris boutique by decking out its boutique windows in the colors of the Berlin Film Festival and presenting the new Capital Edition pieces during an exclusive evening event. For its 280th anniversary, Jaquet Droz invited traditional partners to its Parisian boutique to admire the Automata and Ateliers d’Art creations. Omega launched the new Trésor in collaboration with photographer Nikos Aliagas, who produced a series of portraits of women who had been named honorary ambassadors of the brand.

Longines had another successful year with media coverage of some twenty sporting events in its favorite fields, such as horse riding. Rado renewed its partnership with Paris Design Week, during which it held its sixth *Rado Star Prize*, hosted by a renowned jury notably including Rossana Orlandi, Big-Game and Hakim El Kadiri.



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Tissot, Official Timekeeper of the Tour de France, had a small group of friends of the brand and journalists pedal their way along the last 20 km of the Lorient–Quimper stage. To mark its centenary, Mido joined forces with the Taste of Paris gastronomic festival, where pastry chef Yann Menguy made a superb anniversary cake under the dome of the Grand Palais. Celebrating 100 years of timing in the sky, Hamilton hosted the 1st Red Bull Air Race of France in Cannes. Calvin Klein strengthened its digital presence through numerous partnerships with key influencers.

The Swatch megastore on the Champs-Élysées celebrated its 20th anniversary, with fun and joyful decoration including a flurry of multicolored balloons!

**Swatch Group Spain**

20/21/22

In 2018, Swatch Group Spain reinforced its position in the market. The *Breguet Classic Tour* stopped in Madrid and honored the art of living the true gentlemen’s lifestyle. Blancpain invited top journalists to the launch of the Blancpain Ocean Commitment III Limited Edition at the recently inaugurated Poema del Mar Aquarium in the Canary Islands. A selection of top Spanish journalists discovered Glashütte Original’s new products from the lofty heights of Madrid. Omega launched its Trésor Collection in a unique environment. Longines continued to develop its relationship with equestrian sports, hosting five events in Spain. Rado hosted, for the first time, the Rado Star Prize Spain at the Madrid Design Festival. Tissot previewed its 2019 MotoGP™ collection in Valencia with world champions and brand ambassadors Marc Márquez and Jorge Lorenzo. Certina

launched the new DS PH200M at a lunch with lifestyle journalists in Madrid. Hamilton presented its latest collection to lifestyle and watchmaking journalists at an aviation-themed event with its Spanish ambassador, pilot Juan Velarde. Calvin Klein held a post-Basel launch, presenting its renewed brand image. At the end of the year, Swatch celebrated the first edition of Swatch Cities Project in Madrid. The creative and musical festival was oriented toward a young public and focused on developing interplay among different arts genres in Madrid, including street art group Boa Mistura and an important collaboration with the Thyssen-Bornemisza Museum.

**Swatch Group Italy**

23/24/25/26

Breguet organized the *Classic Tour* with a closing event in a hidden room at the Milan Central Station. Blancpain opened a shop-in-shop at the Pisa Orologeria in Milan. The Glashütte Original Sixties with a green dial was well received. Jaquet Droz celebrated its 280th anniversary at Pisa Orologeria. Omega feted the Trésor and honored the 25th anniversary of the Seamaster Diver 300M with a special dinner on top of Galleria Vittorio Emanuele.

Longines supported its *Appuntamento con l’Eleganza* project with social media and trade activations. Its Conquest V.H.P. was Official Watch of the FEI World Cup Jumping Verona. At an event in Florence, Rado celebrated its partnership with Grandi Giardini Italiani and the True Thinline Nature collection.

Tissot strengthened its connection to the NBA, organizing activities for The Finals and partnering with the NBA *Crossover* and *Fan Zone* events. Mido celebrated its 100th anniversary at roadshows and events. Hamilton partnered for the first time



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with the prestigious Turin Film Festival and presented awards to cinematic talents of today and tomorrow. Calvin Klein pushed its new brand image through retailer conventions and roadshows and with powerful media and guerrilla marketing activities.

A photographic exhibit called *Time to Art* celebrated Swatch's 35th birthday in Montenapoleone. The Mediterranean Views collection involved influencers in different events at beach locations. The SKIN Irony #FutureClassic project involved in-store events and influencers. An event at the Swatch Store in Rome with singer Emma Marrone was a highlight.

### Swatch Group United Kingdom

27/28/29

2018 was a successful year for Swatch Group United Kingdom, increasing sales in all segments and expanding its e-commerce across brands.

Breguet celebrated its history at its boutique with a remake of Winston Churchill's pocket watch, and partnered with retailers for regional client events. The Blancpain Endurance GT Series took place at Silverstone, offering boutique clients and media guests an immersive brand experience. Glashütte Original again took part in the London City Concours event, and continued to expand its retail network. As part of Omega's Olympic Winter Games activation, clients had the opportunity to experience the bobsleigh in London boutiques, and the UK's top media celebrated the Seamaster's 60th anniversary at a two day event at prestigious Cliveden House. The launch of the new ladies Trésor saw an extensive cross-platform media campaign.

Longines was proud to become title partner of Royal Ascot, increasing its brand presence at the festival. It also welcomed gymnast Max Whitlock to the family, which proved to be a great association during the Commonwealth Games where the brand was Official Timekeeper. Rado announced a collaboration with British designer Bethan Gray and once again, with designjunction, looked for talented young designers for the *Rado Star Prize*.

In a busy sporting year, Tissot promoted its partnership with the NBA London Games with an extensive out-of-home campaign and invited key media and influencers to experience the Tour de France at a time trial in Bordeaux. Certina enjoyed the International launch of a new watch and partnership with the Sea Turtle Conservancy at the London Aquarium. Hamilton celebrated the first century of its aviation history with media guests at the Red Bull Air Race. Calvin Klein continued to increase distribution.

Swatch marked the launch of SKIN Irony with an event and media campaign across the country including buses in London and taxis in Glasgow. The brand announced its Swatch X Hackett collaboration with a party at the Hackett flagship store. Flik Flak celebrated Easter with special appearances at selected stores.



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**Swatch Group Ireland**

30/31

Swatch Group Ireland continued to drive brand awareness delivering innovative high-profile events and maximized presence through marketing activities. Longines continued its important equestrian partnerships. Media guests attended the Dublin Horse of the Year Show where the brand was Official Timekeeper. As the title partner of the Irish Champions Weekend racing, the *International Award of Merit* was presented in partnership with the IFHA to the Magnier family for their contributions to racing. Tissot partnered with Weir & Sons to celebrate the Six Nations Rugby marking its role as the Official Timekeeper of the championships. Rado and Hamilton introduced new shop-in-shops at Dublin airport T2. Swatch Ireland hosted a press event with key media and bloggers, driving a strong increase in social media activity. The launch of SKIN Irony was optimized with an effective out-of-home campaign.

**Swatch Group Nordic Countries**

32/33/34

The Swatch Group Nordic markets – Denmark, Finland, and Norway, and Sweden – enjoyed solid performances in 2018. In Denmark, Omega presented a special Olympic exhibition at the Illum department store in Copenhagen during the PyeongChang Winter Games. The brand drew attention to its new Seamaster Diver 300M with a gigantic outdoor banner in Helsinki. Norwegian influencer and fashion editor Darja Barannik helped Omega successfully promote its new Trésor ladies watch. Special guests in Gothenburg, Sweden had the chance to experience the world’s toughest ocean race, the Volvo Ocean Race, for which Omega was Official Timekeeper.

Awareness of Longines in the Nordic countries was strengthened through brand activities and increased space at key retailers. The FEI Helsinki Horse Show and FEI equestrian events in Sweden contributed to its strong results. Thanks to a positive reception for its new collections, Longines had its most successful year in Norway. Rado’s brand awareness was improved throughout the year through its enhanced social media presence. The launch of Rado’s heritage Captain Cook watch collection also contributed to its success in the region.



30



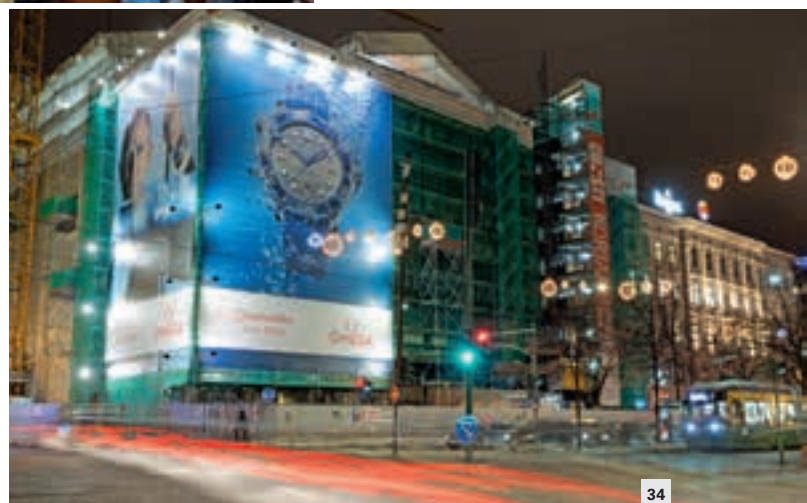
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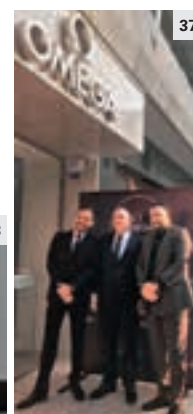
Sporting activities were at the heart of Tissot's brand activities in 2018. The brand's profile was raised by its role as Official Timekeeper at the Ice Hockey World Championship in Denmark and its strong link to the Tour de France, the world's most iconic cycling competition, which received daily television coverage. Compelling window displays around the Tour de France also attracted positive attention. Certina promoted its Aqua Collection with an exclusive exhibition at the Illum department store and generated both attention and demand with the new DS Action Diver. The brand celebrated its 130th anniversary with an event in Oslo with special guests, while Swedish retailers enjoyed visits to ETA Manufacture Horlogère Suisse and Nivarox-FAR in Switzerland. In a competitive segment, Calvin Klein enhanced its profile by creating alliances with key watch and jewelry chains. The brand continued to perform well in travel retail and promoted its in-store image. Throughout the year, Calvin Klein maintained its unique positioning as a fashion brand offering exclusive Swiss-made watches.

Swatch had a successful year buoyed by the launch of its e-commerce activities. The watches created in partnership with British artist Damien Hirst to celebrate the 90th anniversary of Mickey Mouse also proved to be very popular, as were the SKIN Irony and Swatch X You collections.

## Swatch Group Greece

35/36

Within the slight but noticeable improvement of the Greek economy, Swatch Group Greece maintained its positive sales trend as most brands achieved an increase in market share, with newly-opened retailers and qualitative improvement in the distribution network. Furthermore, the impressive renovation of the Service Center underscored the Group's solid position in the market. The luxury brands managed solid sales increases due to their dynamic presence in the tourist market. Omega sustained its sales volume and impressively launched the Trésor and the new Seamaster Diver 300M, both with media and VIP events. The brands Longines and Tissot maintained positive sales performances, working continuously to improve their distribution network and market share. Hamilton celebrated 100 years of Timing the Skies with an eye-catching advertising campaign and, therefore, achieved high market presence and very good sales. Calvin Klein increased market share by improving its points of sales both in terms of image and location. Swatch and Flik Flak sustained their sales figures and Swatch had yet another successful product launch with the SKIN Irony Collection, investing in a targeted approach to consumers with repeated POS activations.



**Swatch Group Turkey**

37/38/39/40/41/42

Swatch Group Turkey had a successful year amidst the country's economic turbulence. Harry Winston organized a high-level press event to celebrate the opening of its Salon. Tourbillon opened its Boutique in February and organized *Night of Swiss Horology* for its VVIP clientele. Omega reinforced its market leadership through dynamic marketing and PR activities. It launched the Trésor collection and the Seamaster Diver 300M with a fabulous event in Istanbul. Longines enhanced its market position with new products, PR events and digital communications, and generated impressive local media coverage for its international events. Rado added more point of sales and continued to invest to expand its market share. Tissot improved distribution by implementing a shop-in-shop program. Its continuous training sessions amplified brand awareness and demand. Balmain continued to fascinate its clientele with magnificent models. In Istanbul, Hamilton celebrated 100 years of timing the skies with retailers, press and trendsetters. Calvin Klein enhanced brand visibility through its shop-in-shop program and digital communications. Swatch introduced more corporate stores and reached targeted audience with effective press events and impressive influencer activations.

**Swatch Group Poland**

43/44

Omega successfully launched its new Trésor and Seamaster collections and named actress Magdalena Boczarska a friend of the brand in Poland. Longines was Official Timekeeper for the CSIO 5-star event in Sopot. This contest joined for the first time the Longines FEI Jumping Nations Cup™ Division 1 league. Boosted by the special Design campaign, Rado enjoyed increased sales, significantly improving distribution quality and its reputation for design, while brand ambassador, tennis star Aga Radwanska, promoted Rado in a series of meet and greets. Tissot was again the Official Timekeeper for the Tour de Pologne, the biggest cycling race in Poland, with top Polish cyclist Tomasz Marczyński appointed Tissot's friend of the brand. Alongside the launch of its official Polish website, Certina invited Poland's top retailers to its 12th Expedition to Georgia and trained 218 retailers countrywide to improve sales quality. Meanwhile, Calvin Klein ended 2018 with a huge splash, inviting the industry's top talents to join its Holiday Influencer Program. Swatch's new SKIN Irony was a big hit, and Swatch once again co-hosted the *Sneakerness* convention. Poland's 14th Swatch store was opened in the country's largest shopping center, Arkadia in Warsaw.



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## Swatch Group Russia

45/46/47/48

For Swatch Group Russia, 2018 was rich in exquisite, breathtaking events that increased brand awareness and had a significant impact on sales.

Breguet opened a new chapter in its Russia story with a renovated boutique at GUM on Red Square: two floors in a new design concept offer not only famous Breguet collections, but Russia's first Breguet Museum and an antique hand-guilloche machine. To highlight its incredible Secrets collection, Harry Winston hosted a gala dinner, where celebrities could capture the evening photographically in a magic mirror labyrinth. Blancpain held events for loyal clients in cooperation with key retailers, based on a key pillar: its collaboration with international chefs. Jaquet Droz celebrated its 280th anniversary with a gala dinner for celebrities and loyal customers, who were invited to enjoy the brand's masterpieces in a magic tropical garden full of exotic flowers. Omega presented the *Her Time* exhibition in St. Petersburg's Marble Palace with screen legend Nicole Kidman at a grand opening and luminous dinner.

Longines celebrated its 140th anniversary in Russia with a road show that opened in the Salon Bure in St. Petersburg where the brand started its Russian adventure in 1878. Rado opened a new boutique on Nikolskaya Street in Moscow. Brand President Matthias Breschan hosted a breakfast to celebrate the new space with Rado ambassador, actress Yulia Peresild. Rado was again the Official Timekeeper of VTB Kremlin Cup. Union Glashütte invited key dealers to celebrate its 125th anniversary at its Manufacture in Germany.

Tissot held an exhibition in Moscow's Sheremetyevo Airport, which blended its heritage and its sporty spirit with Yamaha MotoGP™. Balmain gathered key retailers for a conference at the Ritz-Carlton in Moscow to present new products and its latest business approach. To celebrate its 130th anniversary, Certina held a training event at a ski resort in Sochi attended by skilled sales professionals from all over Russia. Sales increased by 25% during the motivation period. Mido focused on traditional and social media content and on working with opinion leaders. Hamilton supported the Red Bull Air Race in Kazan as Official Timekeeper and displayed the layout of the Hamilton aircraft at Moscow Domodedovo Airport. Calvin Klein invited key retailers to the extreme Skypark AJ Hackett Sochi to experience its provocative spirit.

Swatch raised brand awareness with its first corporate POS in Novosibirsk and with a major campaign in November on key TV channels. It also participated at the annual *Picnic Afisha* festival and scaled new heights (334 meters!) with the SKIN Irony PR event on the 90th floor of the Moscow's Federation Tower.

Tourbillon expanded its database and worked with luxury and business partners, including, among others, Roll-Royce, private aviation clubs, and charity foundations.



## Swatch Group USA, Caribbean and Latin America

49/50/51/52/53

Swatch Group USA enjoyed double digit sales growth and market share gains in every segment.

Breguet celebrated its *Classic Tour* campaign with a cocktail event on the Carnegie Hall rooftop. Blancpain paid homage to the Fifty Fathoms Collection and to its commitment to ocean preservation with lectures, events and a traveling exhibition. Historical watches were displayed at its 5th Avenue boutique. Glashütte Original continued its positive development and increased brand awareness in the USA with an event at GQ's The Gent Penthouse. Jaquet Droz's 280th anniversary was feted with a VIP event in San Francisco in partnership with Tourbillon, where guests discovered the secrets of enamel painting. Omega celebrated its timekeeping legacy with Olympic exhibitions during the PyeongChang Games. It also reiterated its passion for golf as Official Patron and Watch of the PGA Championship with ambassadors Rory McIlroy, Sergio Garcia and Tommy Fleetwood. With the motto "Feel the Future", Omega recorded young athletes' dreams in Buenos Aires at the Youth Olympic Games in October.

Longines served as Official Timekeeper and Watch of the Kentucky Derby and Belmont Stakes where a Triple Crown once again made history and also presented an exhibit on the history of Longines in the US. By continuing to focus on its development in domestic markets, Longines LATAM increased visibility and awareness, stabilized distribution and pricing, and rejuvenated clientele by partnering with influencers and organizing targeted events. Rado partnered with designer Romeo Hunte at New York

Fashion Week. The designer and models wore watches from new collections portraying Rado's mastery of materials and design. Rado also participated for the third time as Official Watch Sponsor of NYCxDesign and launched the *Rado Star Prize US*.

In the third year of its NBA partnership, Tissot drove awareness of its products by focusing on performance and style, signing Golden State Warriors star Klay Thompson and Atlanta Hawks rookie Trae Young. New team partners, the Chicago Bulls, the Houston Rockets and the Washington Wizards, reinforced Tissot's status as Official Watch and Timekeeper of the NBA. Mido continued to support university athletics through sponsorships of the University of Texas, Stanford University and University of Southern California. It also celebrated its 100th anniversary in one of its first international markets. Hamilton celebrated its 100th anniversary of timing the skies at an event with Hodinkee in New York. In recognition of a long partnership with Hollywood, it also hosted the 10th *Hamilton Behind the Camera Awards*, where A-list actors honored their behind-the-scenes colleagues. Calvin Klein approached e-commerce as its major source of development, opening high profile accounts such as Nordstrom, Zappos and Macy's. Its new design direction generated interesting clippings.

Swatch told the world to "Swatch this" with its events at MoMA and Perez Art Museum Miami, and through partnerships with the Drone Racing League and Vans US Open of Surfing. In May, the new SKIN Irony collection was revealed with live statues and a social media buzz. Swatch will continue to make a splash in the art, fashion, and sports worlds.



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**Swatch Group Canada**

54/55/56

Swatch Group Canada sustained its qualitative visibility. Breguet, Blancpain, Glashütte and Jaquet Droz enhanced their selective distribution in the Canadian market. Omega maintained its leadership with growth in market share and hosted successful events at the Vancouver Omega Boutique. The new Longines Conquest V.H.P. collection was supported by dynamic marketing campaigns. Tissot launched its online shop in Canada, and raised its media profile. Mido continued its Canadian expansion. Rado collaborated with the Interior Design Show for the *Rado Star Prize* competition themed Design Inspired by Nature. Hamilton celebrated 100 years of Timing the Skies, reinforcing its position as the leading aviation watch brand. Calvin Klein continued its success with notable sales growth. Swatch continued to build its brand presence in Canada, developing strong partnerships with the Travel Retail Segment and being awarded *Best Specialty Product at Duty Free in Canada* by The Frontier Duty Free Association.

**Swatch Group Mexico**

57/58/59

Breguet introduced its new Marine collection and has expanded its distribution with a boutique at luxury mall Artz Pedregal. Blancpain launched its third limited edition series of Ocean Commitment watches. Jaquet Droz started operations to increase exposure and brand awareness. Omega opened a new flagship store at Artz Pedregal offering, through exceptional service, a history of innovation and manufacturing excellence. Longines generated excellent media coverage with the launch of its Conquest V.H.P. Rado was once again the Official Timekeeper of the Abierto Mexicano de Tenis and presented the *Rado Star Prize* during Mexico Design Week. Tissot underscored its sporting presence at NBA games held throughout Mexico. Mido celebrated its 100th anniversary and invited Mexican architect Fabio Correa to contribute to the design a limited edition of the Commander Big Date. Hamilton maintained its growth with campaigns that increased brand recognition. Calvin Klein watches and jewelry are being presented with Calvin Klein fashion products to create synergies that convey a cohesive concept. Swatch, showing its passion for art, participated in ZonaMaco, a leading Latam art fair, reaching young audiences with a mural painted by a local street artist.



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**Swatch Group Australia**

60/61/62/63

2018 focused on excellence in distribution platforms and subsidiary operations. Breguet, Blancpain, Glashütte Original and Jaquet Droz made significant headway growing market share and brand awareness and strengthened their retail partnerships with dynamic events. Omega launched the Trésor and an Australian favorite, the Seamaster Diver 300M, with strong campaigns and high-profile local events; it also opened its sixth Australian boutique.

Longines was the Official Timekeeper of the 2018 Commonwealth Games and reinforced its link to horse racing with the Longines Golden Slipper and Longines Queen Elizabeth Stakes. It also opened a second Australian boutique. Rado maximized awareness via digital and social media as well as through its continuing sponsorship of the Brisbane International Tennis event.

Tissot's highlights included a rooftop party celebrating its sponsorship of the NBA Finals and the Tissot Brownlow Styling Suite, which maintained the brand's profile with the AFL audience. Key moments were also supported with more frequent and higher impact visual merchandising. Mido focused on the growth of its wholesale distribution network and elevated its profile with an extensive social media campaign. Calvin Klein rolled out its new brand identity and a campaign promoting both awareness and wholesale partnerships.

Swatch's presence was enhanced by qualitative retail experiences and pop ups, while key product launches were supported with strong digital and outdoor advertising. Flik Flak continued to grow across distribution channels supported by increased social media activity.

**Swatch Group China**

64/65/66/67/68

Swatch Group China maintained positive sales growth in 2018. New e-commerce channels allowed easy access to the brands. Tissot tested the new omnichannel concept with two Ali New Retailing pilot stores during Tmall Double 11 and a WeChat Mini Program; Mido and Swatch successfully launched JD.com e-commerce platforms, and Certina launched a Tmall flagship store. Customer Service (CS) opened all its branches seven days a week. CS Boutique distribution was expanded and the customer experience was enhanced. Upgraded store maintenance improved repair efficiency and reduced costs.

Breguet's Classic Complication Collection revealed the brand's trendy side; two new boutiques were inaugurated. Harry Winston celebrated the 20th anniversary of its Ocean Collection in grand style. Blancpain celebrated excellence and creativity with a series of Métiers d'Art watches inspired by China's rich culture and history while its *Imaginist Literary Prize* honored young literary talent. Glashütte Original introduced a limited edition PanoMatic Luna, a new Senator Cosmopolite, and a Chinese limited edition of the Panolnverse and opened its fifth boutique in China. Jaquet Droz opened its Xi'an boutique and





launched a unique incarnation of the Tropical Bird Repeater in Beijing. In October Omega presented the stunning Constellation Manhattan collection in Shanghai with ambassadors Cindy Crawford, Nicole Kidman, Alessandra Ambrosio and Liu Shishi.

Longines continued its dynamic sales growth and enjoyed great success with its Record collection. It also enhanced its equestrian profile with major events at three iconic locations. Rado showcased its expertise in high-tech materials and unique design at Design Shanghai as Official Watch partner. It also launched new models in Shanghai with brand ambassador Tang Wei. Union Glashütte celebrated its 125-year history with its entry into the Chinese market, introducing its first POS in Qingdao, with more scheduled to open soon.

Tissot presented the CDT Collection in Shanghai with President François Thiébaud, Swatch Group China Country Manager Susan Chen, and brand ambassadors Liu Yifei and Huang Xiaoming and also launched it online on Tmall Super Brand Day. Tissot was again Official Timekeeper of Tmall Double 11. Certina launched the vintage DS PH200M at a ceremony and retailer gathering and raised brand awareness with its Tmall launch in October. To celebrate its 100th anniversary, Mido launched the Commander Big Date. The brand attracted visitors with an exhibition using holograms to present its history, technology, and milestones. Hamilton opened a flagship online store on JD.com, integrating its e-commerce business and achieving sales goals. A roadshow celebrated the brand's links to aviation. Calvin Klein celebrated Chinese Valentine Day with bold OOH and digital campaigns. A new concept store opening event was held in Shanghai with brand President Carlo Giordanetti.

On Tmall Super Brand Day, Swatch invited consumers to discover its art world both on- and offline. To better connect with millennials, the brand announced Karry Wang as brand ambassador. The SKIN Irony collection attracted mature consumers.



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**Swatch Group Hong Kong**

69/70/71/72/73

Swatch Group Hong Kong achieved strong growth due to reinforced retail distribution, a focus on customer experience and service, overall strengthening of the retail and back office teams, and investment in more efficient operations. Key priorities remain to offer customers service and experience that exceeds their expectations while empowering staff and middle management to meet their own individual requirements.

Breguet celebrated the opening of its Russell Street boutique with *Classic Tour*, paying tribute to its heritage highlighting Sir Winston Churchill's n° 765 pocket watch. To celebrate the arrival of Harry Winston's Baselworld 2018 products, the latest collection was presented to the public at a special exhibition. Blancpain celebrated the 65th anniversary of the Fifty Fathoms collection and launched the third Blancpain Ocean Commitment (BOC) limited edition with a pop-up store. Glashütte Original opened a new boutique at Harbour City and continued to enhance exposure with the *Time for Originality* exhibition, which promoted the art of German watchmaking. Jaquet Droz celebrated its 280th anniversary and Chinese New Year inviting Prince Club VIPs to a private preview of the Tropical Bird Repeater. Omega unveiled the Trésor collection at the new Pedder Street boutique along with the new Seamaster Diver 300M.

Longines opened a new boutique at Yee Wo Street and renovated three boutiques at Lee Garden Road, Ocean Center and Alpha House with a new design concept that conveys elegance and modernity. Rado launched the True Star Sign Limited Edition at Causeway Bay. In addition, two innovative young designers were honored at the first *Rado Star Prize Hong Kong*.

Tissot's 25 days to the Asian Games countdown was held at Causeway Bay in July. The brand also held a launch event for the Lady Heart Flower Powermatic 80 in November at the Star House Flagship store. Balmain promoted distinctive designs which symbolize remarkable beauty in sophistication and feminine elegance. Their uniqueness led to continuous growth and reinforced sales. Certina launched new interpretations of the historical DS PH200M. The new watches, drawing on the original DS Concept of the 1960s, were highly appreciated by customers. Mido celebrated its 100th anniversary throughout 2018, creating noise in town with exhibitions, the Robi Tour, and a tram party. Hamilton held a media luncheon to reveal the new Intra-Matic collection and enhanced its brand exposure through different marketing channels, including buses and MTR stations. Calvin Klein's first new concept store worldwide opened at Mongkok and promoted the new image through outdoor advertising, including full bus wrapping.

Swatch celebrated the first special concept store opening in Central with an array of events to tell the stories of Swiss watchmaking and the traditional Cantonese teahouse culture.



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## Swatch Group Macau

74/75/76

Swatch Group Macau recorded a record sales year in 2018, thanks primarily to continued retail development across all brands. New initiatives and tailored activations were implemented at retail stores to support the ever-changing marketplace. Breguet held a *Race for Water* Exhibition and hosted jet surf performances at Macau Yacht Show. Blancpain promoted its Villeret collection and displayed its latest models at Galaxy. Glashütte Original enthralled VIPs with an in-store watchmaking event and VIP dinner. Jaquet Droz celebrated its 280th anniversary with its *Story of the Unique* exhibition at Galaxy. Omega held in-store events to launch the new Seamaster 300M Diver watch. Longines, in conjunction with Sands Shoppe Macao, implemented Christmas decorations across all four Sands properties. A lighting ceremony was held with brand ambassador Chi Ling Lin. Rado had a record year with a new boutique opening at Venetian. Tissot enhanced its customers' shopping experience by opening a MotoGP™ VR kiosk at Cotai Central. Mido celebrated its 100th anniversary with roadshows at Four Seasons and Venetian and Swatch continued to expand its retail distribution with a pop-up store at Studio City.

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## Swatch Group Taiwan

77/78/79

In an active year for Swatch Group Taiwan, Breguet's events focused on innovation and classic style. Harry Winston's new products accelerated brand awareness and sales. Blancpain marked the 65th anniversary of the Fifty Fathoms with an exhibition at Taipei 101. Glashütte Original's launch of the Senator Cosmopolite expressed the art of German watchmaking. Jaquet Droz invited media to an event featuring a master enamel painter. Omega introduced its Trésor and Seamaster collections with dedicated campaigns. Longines continually raised brand awareness, finding new opportunities to boost sales. Rado's platform to support talented young designers echoed the brand's DNA. Tissot attracted a new generation with its sponsorship of young athletes and sporting events. Mido's 100th anniversary celebration continued with roadshows featuring its watches and ambassador Robi the Robot. Hamilton enhanced its brand image through the launch of the Khaki Field family, the *Jack Ryan* promotion and the rollout of a new merchandising display. Calvin Klein enhanced its engagement with millennials, presenting new concepts with influencers. Swatch promoted Brit-In with an English double-decker bus and the SKIN Irony and Spring/Summer 2018 collections were promoted at the Huashan Art Park.



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**Swatch Group Singapore**

80/81/82/83

Swatch Group Singapore experienced solid growth despite shifting economic demands and changes in consumer patterns. Breguet's *Classic Tour* event portrayed its pursuit of excellent value and style in its *Classique* collection. Harry Winston ventured into out-of-home advertising with lamppost banners at Ngee Ann City. A *Metiers d'Art* event at the Swiss Embassy residence paid tribute to Blancpain's excellent hand craftsmanship. Glashütte Original conducted a talk for students of the NUS Horology Club and launched the *Senator Cosmopolite* and the *Excellence to globetrotters* and young contemporary collectors. Jaquet Droz marked its 280th anniversary with a unique exhibition delighting discerning guests. Omega enthralled VIPs with the celebration of the 70th Anniversary of its *Seamaster Diver 300M* through a multi-sensory journey at ION Orchard. Longines' largest flagship at Wisma Atria featured an equestrian and heritage corner with exclusive pieces from the Longines museum. Rado hosted an exclusive event to showcase the limited edition *Rado True Star Sign* collection. Tissot reopened its Marina Bay Sands boutique with a new digital façade. Mido celebrated its 100th anniversary with two roadshows, placing emphasis on digital marketing and billboard advertisements. Hamilton celebrated its first centenary with the launch of the limited edition *Khaki X-Wind*. Calvin Klein maximized brand awareness through press and media events. Swatch created excitement with its *#FutureClassic* launch at The Arts House.

**Swatch Group Malaysia**

84/85/86

Breguet hosted a workshop for guests on the standards of mechanical timepieces. Harry Winston focused on brand awareness and product training. Blancpain opened its first flagship boutique at KLCC. Glashütte Original opened two new locations in Kuala Lumpur and Kota Kinabalu with a digital campaign focusing on the *Senator Cosmopolite*. President Christian Lattmann was joined by VIP guests at Jaquet Droz's first point of sale in Kuala Lumpur. Omega unveiled the *Trésor* through media-focused local and international events while reinforcing communications for the *Seamaster Diver 300M* with print and outdoor marketing. Longines' third boutique at Genting SkyAvenue expanded its presence and heightened local awareness focusing on outdoor and digital advertising. Rado's flagship store marked a key milestone at KLCC. Tissot presented the largest House of Tissot at KLCC and unveiled its *T-Race Limited Edition* at MotoGP™. Certina previewed the heritage collection *DS PH200M* for local media with its President, Adrian Bosshard. Mido created a buzz with its 100th anniversary events. Hamilton enhanced its presence with more points of sales, a colorful advertising campaign and in-store displays. Calvin Klein increased its retail footprint and presented outdoor advertising on large LED screens. The launches of Swatch's *Spring/Summer* and *SKIN Irony* collections at unique locations, backed by advertising on LED screens, giant TV cubes, billboards, bridges, and wraps, thrilled traditional and social media, and influencers.



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**Swatch Group Thailand**

87/88/89

Swatch Group Thailand’s growth continued in 2018 thanks to an increase in interest from locals and a promising number of tourists visiting the country. Breguet hosted an Haute Joaillerie event. Blancpain celebrated its intimate connection to the oceans and its Fifty Fathoms collection with the first *Blancpain Ocean Commitment* exhibition in Thailand. Glashütte Original increased brand awareness through a window display takeover and an OOH visual, and by building a close relationship with VIP customers at an exclusive party. Omega opened the first new boutique concept at Bangkok Airport and a Seamaster Exhibition at Central Embassy. Longines focused on its local campaigns with activities both on- and offline, including the V.H.P. and Record launches and equestrian sponsorships, engaging the local market at the highest level. Rado created the first fashion show with a renowned Thai designer and presented new products with celebrity guests. Tissot’s first MotoGP™ race in Buriram resulted in strong brand awareness and media coverage. Mido celebrated its 100th anniversary with a series of roadshows across the country. Hamilton celebrated “100 years of

timing the skies” at Siam Paragon, where customers could try a flight simulator. Calvin Klein launched its furniture concept at new locations. Swatch revealed its new flagship boutique with a vibrant urban concept at Central World, presenting its full product range in an environment with strong architectural designs.



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**Swatch Group South Korea**

90/91/92/93/94

Swatch Group South Korea achieved record sales and market share gains in all segments thanks to market dynamics, distribution expansion, and new product launches supported by extensive marketing activities.

The prestige and luxury ranges fared well. Breguet opened key strategic locations in downtown travel retail. Blancpain confirmed its status hosting *Art de Vivre*. Jaquet Droz made its successful debut in South Korea. Omega was the Olympic Games Timekeeper in PyeongChang and guests experienced the brand's passion for the Olympic Movement. The launch of the Seamaster Diver 300M was well received.

Longines elevated its brand image by launching the Conquest V.H.P. with Ambassador of Excellence Jung Woo-Sung. Rado highlighted its unique Master of Material status.

Thanks to exposure through the Asian Games and the newly launched Seastar, Tissot achieved solid sales and market share growth and, sponsoring original festival events, it reached out to younger fans and women. Mido held a 100th anniversary event and its Museum Pieces showcased its history and its future. Hamilton celebrated its aviation watch history with ambassador Daniel Henney at a 100 Years of Timing the Skies event. Calvin Klein strengthened its position and increased brand awareness with attractive design that was well received by its customer base.

Swatch launched special edition watches to celebrate the PyeongChang Winter Games and successfully launched an e-commerce site, supported by the Mickey Mouse 90th birthday limited edition watches designed by Damien Hirst. The new SKIN Irony was warmly received.

**Swatch Group Japan**

95/96/97/98

Swatch Group Japan had a successful year in 2018, with healthy growth and a sound profit. Its network of well-located boutiques and shop-in-shops, which has been growing steadily year after year, brought substantial results, which confirmed that it is the correct distribution strategy. In 2018, Swatch Group Japan placed its emphasis on developing and strengthening its e-commerce business. Brands like Tissot, Hamilton, Calvin Klein and Swatch opened their own e-commerce sites on platforms like Rakuten and Zozotown to keep in touch with the fast-growing population of e-commerce consumers. These new distribution channels, in combination with well-adapted traditional platforms, enabled brands to gain substantial market share in Japan.

Benefiting from its strong market position, Breguet successfully launched its new Marine collection. The Gallery of Horyuji Treasures, dressed up in Breguet blue, was the spectacular venue for a memorable launch event that attracted more than



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250 guests, including media, VIP customers and local celebrities. Blancpain's *Métier d'Art* event was a great success, as was the event commemorating Jaquet Droz's 280th Anniversary, which drew many watch connoisseurs to Tsutaya in Ginza. Omega had a remarkable year with the launch of amazing products and dazzling promotional campaigns. Its Tokyo 2020 Olympic campaign started on July 24th, exactly two years before the Opening Ceremony, with the launch of its Speedmaster Professional Tokyo 2020 Olympics Collection, an instant success that carried the brand to new heights in Japan. The launch of the new Seamaster Diver 300M in October in the Omega Underwater Lounge on the roofs of Ginza confirmed the brand's leading position in Japan.

Longines started the year in style with the launch of its Conquest V.H.P, which became the bestselling line in the local market. The popular horse race, the Japan Cup in association with Longines, brought the year to a successful conclusion.

Tissot continued to gain market share by pursuing its omnichannel distribution strategy. The well-promoted launch of the Tissot Seastar 1000 in summer and the Tissot Heritage Banana watches in autumn contributed greatly to a very positive year. Hamilton continued to grow as one of the most stylish brands in Japan and made good use of its store in Shibuya's fashionable Cat Street, attracting young trendsetters with various consumer events. Calvin Klein successfully expanded its distribution in e-commerce and select shops to reach out to its fashion-oriented consumers.

Swatch's new products were also popular among young and trendy Japanese customers. Swatch Group was proud of its exhibition in the Hayek Center in partnership with the Shanghai Swatch Art Peace Hotel, inviting a Japanese artist who had been a resident at the unique venue.



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## Swatch Group India

99/100/101/102

Swatch Group India maintained a dominant market position with double-digit sales growth.

Breguet continued to reinforce its leadership position by increasing the sales of complications and Haute Joaillerie masterpieces with a Carnet exhibition in Delhi (an ATA Carnet, an international customs document that allows the duty-free entry of imports, facilitated the exhibitions of several Swatch Group brands). The Reine de Naples and the Marine remain its top-sellers. Harry Winston continued to increase its ad presence in luxury-lifestyle magazines. Blancpain participated in a luxury lifestyle event with a retailer in Mumbai, followed by grand complication exhibitions in Delhi. Jaquet Droz held customer events in Delhi and Chennai. The brand ventured into programmatic digital marketing to reach next-generation millionaires. Omega's new-concept boutique in Hyderabad was formally inaugurated by brand ambassador Abhishek Bachchan and VP Sales Frédéric Nardin at an event also featuring the launch of the Seamaster 300M in India. In the evening, Omega hosted a gala dinner for 150 prominent guests. It also held exhibitions at all its boutiques as well as a training workshop for boutique and retail staff in Goa.

Longines hosted a special brunch for Indian athletes at the Commonwealth Games in Australia with brand friend Arjun Kapoor. Indian media and bloggers present at Roland Garros gave the brand solid PR coverage. Longines also focused on garnering media mileage through brand friend appearances at its boutiques in Bangalore, Hyderabad and its POS in Jaipur. Brand ambassador Hrithik Roshan inaugurated Rado India's first-ever Airport store at Delhi T3 and a boutique in Chennai. The brand showcased new products at an exhibition with ambassador Lisa Ray in five Tier-2 cities. Rado also collaborated with Condé Nast Traveler to exhibit its new Elements of Time collection in Chandigarh and Chennai and added boutiques in Thane and Chennai to its distribution network.

Brand ambassador Deepika Padukone unveiled Tissot's new boutique in Chennai and launched the PR 100 Lady Chic at a media event. The Tissot Chrono XL Classic Virat Kohli Special Edition was launched by the brand ambassador himself at a glittering media and retailer event in Mumbai. Balmain designed a promotional pop-up concept that was well received in Delhi and Hyderabad. It also undertook an All India Training Program in October, attended by retail sales staff across India. Swatch launched its Spring-Summer 2018 collection with brand friend Aditi Rao Hydari in its Chennai store. Calvin Klein showcased its collection to media, bloggers and retailers with actor Nidhi Agarwal in Mumbai and also held training sessions in South and Western India.

Swatch's SKIN Irony collection was previewed to selected media and bloggers in Delhi. Swatch partnered with Comic Con Delhi for consumer activation and a PR event involving celebrity Yami Gautam for showcasing Fall-Winter Collection.





**Swatch Group Middle East**

103/104/105/106/107

Swatch Group Middle East had a successful year, with notable market share increases in the prestige and luxury ranges.

Breguet strengthened its relationships with local and international customers. Its boutique in Dubai Mall enjoyed constant growth and was the network's best performer. Harry Winston remained the top prestige jewelry and timepiece brand, showcasing its most unique stones to VVIP clients in its Dubai Mall Salon. Blancpain strengthened its presence with a new boutique in Mall of Emirates. Its branding highlight at the Dubai Aquarium & Underwater Zoo at Dubai Mall, which attracted a large number of visitors, increased the popularity of the Fifty Fathoms. Glashütte Original enhanced its market position, particularly with the launch of a new steel version of the Senator Cosmopolite. Its spacious boutique in Dubai Mall attracted numerous visitors and watch aficionados. Jaquet Droz inaugurated its first boutique in Dubai Mall, unveiling the unique Bird Repeater Falcon that celebrates the symbol of UAE. Omega extended its market leadership and strengthened its distribution with new boutiques in Kuwait, Saudi Arabia and a second in Dubai Mall. The brand organized a premiere screening of *First Man* for its VIP customers in Dubai and continued its strong association with the Dubai Desert Classic.

Longines had double digit growth driven by qualitative distribution. Brand ambassador Chi Ling Lin inaugurated the Mall of Emirates boutique. Longines was the title partner of the Dubai Sheema Classic and presented the prestigious H.H. Sheik Mohammed Endurance Cup; it also partnered with three CSI 5-star events in UAE, including the first in Sharjah. Rado reinforced its presence with the rollout of its latest store concept and the development of a new retail project. It partnered with Dubai Design Week 2018 and announced the first edition of *Rado Star Prize UAE 2019*.

Tissot expanded its retail network and introduced two new boutiques in UAE. It also opened twelve large shop-in-shops in strategic markets. A successful online campaign reinforced its market leadership. Balmain improved its visibility and the quality of distribution network. Certina upgraded its image with new displays and POS materials. The new heritage diving watch DS PH200M generated huge noise in the market. Mido opened its first boutique in Dubai Mall. Hamilton invited retailers to the Red Bull Air Race World Championship 2018 in Abu Dhabi. In collaboration with Rivoli, it also implemented key activities highlighting its link to aviation. Calvin Klein consolidated its significant market share thanks to a balanced product mix and its innovative design. It also increased online visibility through cooperation with key influencers in Dubai.

Swatch strengthened its market presence through strong distribution networks. It launched an e-learning platform to enhance employee skills and also supported The Drone Racing League (DRL) in Saudi Arabia.



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**Swatch Group South Africa**

108/109/110/111

In South Africa, the luxury brands continued to focus on the local market. Breguet placed an increased focus on digital marketing and upgraded its space in Tanur Jewellers with a new shop-in-shop. Blancpain hosted Laurent Ballesta, a marine scientist and pioneer deep diver, at an exclusive event where guests were able to experience a firsthand account of the explorer's groundbreaking coelacanth (also known as *Gombessa*) expedition. Omega progressively increased shop-in-shops in the Victoria & Alfred Waterfront and Sandton City shopping centers. The presence of actress and influencer Terry Pheto and a dynamic Facebook campaign further boosted Longines' growth in local market share. Rado launched its new HyperChrome timepiece with South African celebrity ProVerb in attendance, generating valuable social media exposure and successfully addressing its target market. Tissot partnered as the Official Timekeeper at the South African Bike Festival with a stand at the Kyalami race track, the country's biggest bike festival. The Tissot retailer staff participated in training whose exciting activities were enjoyed by all. The new Calvin Klein product mix proved to be a success with local consumers. A very successful Swatch Club

event was hosted with the launch of SKIN Irony; two press events also took place in Cape Town for the launch of the Spring/Summer and Fall/Winter Collections. The brand partnered with Red Bull for the renowned Red Bull King of The Air kiteboarding event held in Cape Town attracting some 15 000 spectators.



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**GOVERNANCE**  
**ENVIRONMENTAL POLICY**  
**SOCIAL POLICY**  
**CORPORATE GOVERNANCE**



# ***SUSTAINABILITY REPORT ON ENVIRONMENTAL PROTECTION POLICY AND SAFETY***



Environmental protection and safety are self-evident in all Swatch Group's areas and they outline a priority tenet, which is respected, promoted, and implemented daily by every employee of the company. Our motto is "actions, not words" – or exhaustive reports. In this way, we must all share in taking care of our environment as well as paying utmost attention to safety in general. These guiding principles are a part of the ESG (Environment, Social, Governance) values on which we all place the greatest importance, as stated in a number of places throughout this Annual Report.

We are all very conscious of our responsibility to protect life, to promote the quality of life, to guarantee safety and to preserve health, as well as to respect our environment, and we do our very best to meet our responsibilities with regard to our immediate surroundings, within the scope of our direct or indirect influence.

In principle, resources are used efficiently and sparingly, to ensure that products are manufactured and sold in a sustainable and environmentally friendly manner. Starting with the planning and development phase of every new product, recyclable materials and auxiliary products as well as environmentally friendly production methods are taken into account.

Moreover, measures to reduce energy and resource consumption are implemented, whether through manufacturing facilities with intelligent energy control systems or through energy-efficient and heat-insulated infrastructures. To achieve the best possible ecological and energy balance, ultra-modern technologies and building materials are used for new industrial facilities and renovations; this practice also led to a further positive contribution in the year under review. Every year, all values relevant to operational ecology are consolidated into a comprehensive data collection. This data is evaluated and serves as a measurement of results achieved and also as a basis for further goal setting.



### **Environment, safety and health – relevant measures**

The safety and health of our employees as well as our customers worldwide receive our fullest attention. Our guidelines for sourcing, production, distribution and also for use of our products comply not only with the strictest international laws and directives but also with our own very high standards, which we also constantly upgrade and improve. In this respect, we have also never stopped learning, and this leads the company to engage in continuous innovation and new investments.

Environmental, ethical and social criteria are also an integral part of our sourcing policy. Responsible purchasing of industry-specific raw materials such as precious metals, diamonds, and exotic leather is of the utmost importance. Furthermore, Swatch Group decided to voluntarily eliminate the use of endangered tree species, and to use only wood originating from sustainable cultivation. This allows Swatch Group companies to make an additional important contribution to the improvement of the ecological balance. Gold sourcing is exclusively confined to “traceable gold” from conflict-free, non-critical regions such as the United States, Canada and Australia. By the same token, we ensure that diamonds used in our products originate solely from suppliers who fully respect and apply the Kimberley Process certification system.

In relation to clearly sustainable production methods and products, Swatch Group complies with the existing directives, particularly the EU directives such as the restriction of hazardous substances (RoHS), the registration, evaluation, authorization, and restriction of hazardous chemicals (REACH), and the disposal of old electrical and electronic equipment (WEEE). Additional information in the area of energy and ecology is available from the Belenos Clean Power report on page 116, and in the area of environmental protection and safety, from the Swatch Group Quality Management statement on pages 112 and 113.

### **Risk management**

The Corporate Risk Management System is an integral part of the environmental protection and safety policy. In this system, crucial risks are regularly identified, analyzed and recorded, in order for us to recognize risks to environmental protection, safety, and health at an early stage, and to plan and implement adequate measures to prevent any incidents. A significant component is Business Continuity Management. Experts determine which operating entities and their networks are important for the Group, identify the main risks (for example, fire, water, chemical substances, interruption of operations), and define measures to ensure the greatest possible Business Continuity. Prevention and emergency procedures are the focal point. A significant element of Swatch Group risk management is its policy of independence. Consequently, the company is reducing any dependence on single suppliers, distribution partners, and financial service providers. Also taken into account are sufficient inventory, expansion and modernization of production capacities, considering second sources, strategically important acquisitions, and a high level of equity.

### **Environmentally relevant key figures**

Swatch Group has various industrial and production facilities, which are all highly specialized and therefore all have their own specific profiles in terms of safety, health and environmental protection. The development of every single company is carefully guided, so that additional optimizing measures can be defined and implemented. The most important benchmarks are those in the area of environmental relevance with impact on energy consumption, in particular, power and heat consumption and their associated CO<sub>2</sub> emissions, and the key performance indicators for water consumption, waste management, battery recycling and VOC (Volatile Organic Components) emissions. These benchmarks are implemented for all Swatch Group entities and serve as the basis for the following development.

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

As early as 2001, Swatch Group began to set clear climate and efficiency goals and to contribute to climate protection. Hence, each individual entity was assimilated into the program, and measures to reduce energy consumption were defined.

In order to contribute even more to climate protection and further reduce energy consumption, it was decided in early 2013 to include all Swiss production entities in a CO<sub>2</sub> exemption program. In the process, the voluntary economic and ecological measures toward reduction of energy consumption and its associated CO<sub>2</sub> emissions are set by the Swiss Federal Office for the Environment (BAFU) and fixed goals are contractually documented. The goal of this agreement is to further reduce energy consumption within the timeframe of 2013 to 2020, particularly by further reducing CO<sub>2</sub> by 27% and at the same time increasing



energy efficiency 8% by 2020. In association with the Swiss Business Energy Agency (EnAW), energy audits have been carried out by specialists in all locations since 2013 and additional opportunities to reduce CO<sub>2</sub> emissions were compiled. A corresponding optimized action plan to achieve the goal was developed. Since then, the defined measures have been consistently implemented and have resulted in significant CO<sub>2</sub> reduction and tax exemptions for production sites. The action plan is regularly reviewed and updated, so that a significant contribution to climate protection can also continue to be made. Annual target achievement is guided and audited by the Swiss Federal Office for the Environment (BAFU) and the Swiss Federal Office for Energy (BFE). Detailed audits at the individual sites as well as data compilation by the specialists are very time-consuming, reason why the figures from the audits for the year under review are only available by the middle of the following year. As soon as the audits are completed, EnAW annually issues a specific certificate reflecting the extent to which the objectives have been met.

As early as 1990, Swatch Group supported reduction of CO<sub>2</sub> emissions and lowering of energy consumption through its sponsorship of the solar mobile *Spirit of Biel*. At that time, the solar mobile won the *World Solar Challenge* in Australia. The first solar-powered Swatch (1995), which has lost none of its appeal and can still be purchased today, stems from this period. With this, our early commitment to climate protection remains ever-present and motivates us to continue our contribution to climate protection.

The following diagrams show CO<sub>2</sub> emissions from the start of the new program in 2013, as well as the targets to reduce them 27% by 2020. Since the start of this new program, CO<sub>2</sub> emissions were reduced by a total of 1743 tons, as shown in the following **diagram 1**.

Energy efficiency should be increased by a total of 8% up to and including 2020, which leads to a linear target line as shown in the **diagram 2**. In the first five years after implementation of the new program, the diagram demonstrates that the increase in energy efficiency has exceeded the set target.

The consumption of electricity increased by 10.7% in 2018 due to higher production volumes. CO<sub>2</sub> emissions increased temporarily as new company buildings have not been taken into regular operation. Therefore, the substitution of fossil fuels will take place only when in regular operation. This means the target values were exceeded (**diagram 1**).

Of course, foreign distribution subsidiaries, particularly due to the many retail stores, also have the goal of improving their energy balances, even though energy consumption is benchmarked much lower to the production entities located in Switzerland.

#### Heat consumption by effective area (kWh/m<sup>2</sup> per year)

Energy consumption from fossil energy such as heating oil, natural gas and district heating in kWh per m<sup>2</sup> effective area and year, decreased by 0.1% in the year under review, despite a stronger winter climate than in the previous year. A higher energy consumption was avoided, notably by means of ongoing investments in both new and existing buildings and production facilities. This target was reached thanks to new constructions equipped with ultra-modern heat pump technology, new building insulation and renovation programs, optimization or replacement of various air-conditioning and water-cooling systems, renovation of heating systems and implementation of new heat recovery systems. Due to continuous investment aimed at minimizing heat consumption by effective area, this consumption has been more than halved since the beginning of the program in 2001. The extension work of the Omega site in Biel/Bienne (BE) is a good example of the numerous endeavors undertaken, since it has resulted in a 48% decrease in heat consumption per m<sup>2</sup> surface and an impressive 55% drop in CO<sub>2</sub> emissions.

#### Power consumption by effective area (kWh/m<sup>2</sup> per year)

Measured in kWh per m<sup>2</sup> and year, power consumption increased by 9.3% over the previous year. This higher consumption was due to the commissioning and startup of new factories and higher production. The implementation of new, more energy-efficient machinery and equipment in the various production entities, as well as significant investment with regard to lighting, in the form of renovation of existing systems, nonetheless resulted in proportionally lower power consumption. The use of new LED lights has made it possible to achieve optimum light and to decrease the heat load, thereby reducing power consumption and the costs of air conditioning. The investments made at the Omega site had positive effects, improving energy efficiency by replacing fossil energy sources with heat pumps.

The audited Figures 2018 will be available mid 2019

Diagram 1

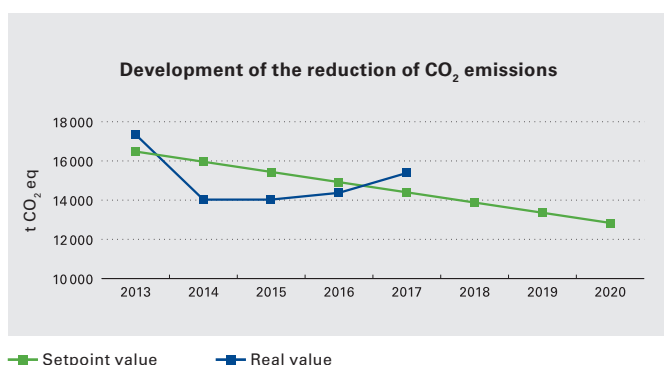
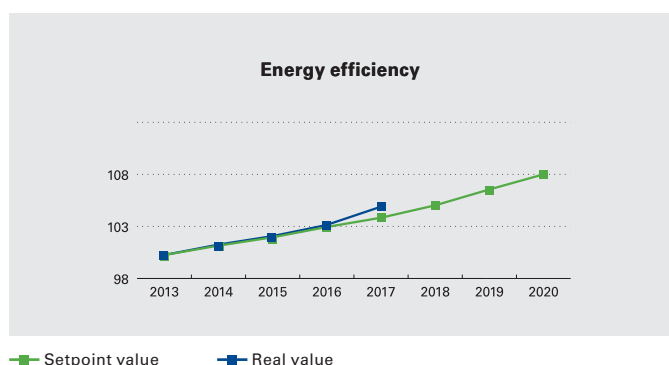


Diagram 2





### **Energy from self-generated renewable solar energy and hydropower production**

For decades, Swatch Group has not only invested in the area of electronic systems in low-energy and energy-efficient components and integrated circuits, but also runs its own energy production plants using renewable energy such as solar energy and hydropower production. Self-generated production of sustainable energy increased in recent years due to new facilities. Although the amount of self-generated sustainable power production is fairly modest, it nonetheless contributes to climatic and environmental protection. A Belenos Clean Power photovoltaic system with a state-of-the-art micro-inverter was put into operation when the new production building on the Omega site was inaugurated. The said plant generated 170 MWh during the year under review. The total energy production is not constant, since the power stations La Suze and Le Bez in Corgémont (BE), which were completely renovated and automated in 2010, are dependent on average precipitation, and solar energy is dependent on the average incoming light on the photovoltaic installations at Omega and Distico in Biel/Bienne and at ETA in Boncourt (JU). The hydropower plants and photovoltaic installations have an annual production capacity of approximately 1600 MWh. Among other things, this energy is used to operate part of ETA's electric vehicle fleet.

### **Waste management**

Due to cleaning processes within production as well as further internalization of production, the amount of special waste (excluding watch batteries) increased by 13.3% in the year under review. In the same period, the portion of recovered and/or recycled hazardous waste increased by 4.6%. In addition, other industrial waste such as paper, cardboard, synthetic material, and electronic components showed a pleasing 1.3% drop.

### **Battery recycling**

Excluding internal elimination of expired batteries and liquidation of surplus stock at Renata, over 7.6 tons of batteries were delivered for reprocessing to authorized recycling firms in the year under review. Renata is currently the only battery manufacturer to operate its own button cell battery recycling facility started in 2018 (dedicated to recovering silver). With an annual capacity of 250 million button cell batteries yielding 25 tons of silver oxide, this plant demonstrates an important contribution, yet unequalled in the world, in environment protection from the perspective of sustainable development.

### **Water management**

Due to increased production, startup of new production plants, integration of additional production facilities, and additional air conditioning installations, fresh water consumption increased by 10.1% compared to the previous year, while non-potable water consumption rose by 29.7%. Special mention should be made regarding the reduction of waste water achieved by installing closed water circulation systems, by increasing the efficiency of water treatment plants, and by using rainwater recovery systems to obtain water for cooling and sanitary installations.

### **VOC (Volatile Organic Components) emission**


Due to increased production, integration of new production plants and further internalization of production in the year under review, VOC consumption increased compared to the previous year, mainly due to the use of acetone, alcohol and gasoline as cleaning agents for produced components. Accordingly, corresponding VOC emissions increased by 8.1%. However, in the year under review, 7.7% more VOCs were recovered and/or recycled thanks to the recovery systems for gasoline and other volatile solvents. A more substantial increase in VOC emissions was prevented by increased substitution of volatile substances by processes using aqueous solutions that do not contain solvents or contain less volatile substances.

### **General raw material sourcing**

Environmental, ethical and social criteria are an integral part of our sourcing policy, reason why, only suppliers and sub-suppliers who fully comply with our clearly defined and contractually documented criteria regarding safety, environmental and sociopolitical aspects can be considered. This includes not only compliance with national and international laws, but also compliance with the OECD guidelines for sourcing of raw materials and components (OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold) as well as Standard SA8000 (Social Accountability International) pertaining to responsible sourcing under the premises of fair and ethical working conditions, health protection and occupational safety, observance of human rights and handling of business partners, as well as inclusion of the supply chain, local development and additional social and environmentally relevant factors.

In addition, suppliers must naturally fully adhere to the Swatch Group Quality Management internal guidelines, any ecological and legal regulations, and also the legal compliance related to products, particularly REACH (Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment). To ensure this, every supplier receives direct and secure access to the Swatch Group Quality Management conformity specifications for raw materials and substances. The specifications in the comprehensive database are updated on a regular basis. Swatch Group FEPS (Far East Procurement Service) and Swatch Group Quality Management constantly check to ensure that suppliers really fulfill the conditions. If the guidelines are not met, the supplier is requested to take corrective measures. Any supplier who does not or can no longer meet the qualification guidelines will not be considered anymore.

Zertifikat Energie-Agentur der Wirtschaft  
**Freiwilliger Klimaschutz und Energieeffizienz**



**CO<sub>2</sub> & kWh reduziert**

ENERGIE-AGENTUR  
 DER WIRTSCHAFT

**Omega Biel inkl. Swatch AG**

Das Unternehmen Omega Biel inkl. Swatch AG setzt sich aus Überzeugung für den nachhaltigen Klimaschutz ein. Mit der freiwilligen Teilnahme am Programm der Energie-Agentur der Wirtschaft bekennt sich das Unternehmen Omega Biel inkl. Swatch AG zur aktiven Reduktion der CO<sub>2</sub>-Emissionen und zur Optimierung der Energieeffizienz. Die Zielvereinbarung ist vom Bund, den Kantonen und Partnern der Wirtschaft anerkannt.

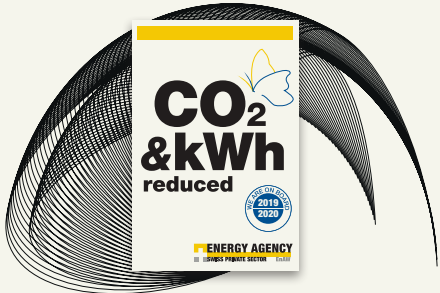
Dr. Jacqueline Jakob  
 Energie-Agentur der Wirtschaft

1. Januar 2019

Martin Kernin  
 Energie-Agentur der Wirtschaft

ENERGIE-AGENTUR  
 DER WIRTSCHAFT

Certificate of the Swiss Private Sector Energy Agency  
**Voluntary Climate Protection and Energy Efficiency**



**CO<sub>2</sub> & kWh reduced**

ENERGY AGENCY  
 SWISS PRIVATE SECTOR

**Omega Biel inkl. Swatch AG**

Omega Biel inkl. Swatch AG is convinced of the need to stand up for sustainable climate protection. By voluntarily declaring its adherence to the Swiss Private Sector Energy Agency programme, Omega Biel inkl. Swatch AG commits to actively reducing CO<sub>2</sub> emissions and optimizing energy efficiency. The Swiss Federal Government, cantons and private sector partners honor the target agreement.

Dr. Jacqueline Jakob  
 Swiss Private Sector Energy Agency

1<sup>st</sup> January 2019

Martin Kernin  
 Swiss Private Sector Energy Agency

ENERGY AGENCY  
 SWISS PRIVATE SECTOR

Certificat de l'Agence de l'énergie pour l'économie  
**Protection volontaire du climat et efficacité énergétique**



**CO<sub>2</sub> & kWh réduits**

AGENCE DE L'ÉNERGIE  
 POUR L'ÉCONOMIE

**Omega Biel inkl. Swatch AG**

L'entreprise Omega Biel inkl. Swatch AG s'engage avec conviction pour la protection durable du climat. En participant volontairement au programme de l'Agence de l'énergie pour l'économie, Omega Biel inkl. Swatch AG agit pour réduire ses émissions de CO<sub>2</sub> et pour améliorer sa performance énergétique. Sa convention d'objectifs est reconnue par la Confédération, les cantons et des partenaires de l'économie.

Dr. Jacqueline Jakob  
 Agence de l'énergie pour l'économie

1<sup>er</sup> janvier 2019

Martin Kernin  
 Agence de l'énergie pour l'économie

AGENCE DE L'ÉNERGIE  
 POUR L'ÉCONOMIE



### Organic raw material sourcing

In relation to organic raw material such as cotton, leather, wood, etc., not only are the many national and international laws respected (EU 995/2010 and EC 338/97, Lacey Act, CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, UICN *Union Internationale pour la Conservation de la Nature*, FSC Forest Stewardship Council, PEFC Programme for the Endorsement of Forest Certification, Timber Regulation, etc.), but also legal and not endangered materials which are determined by our specialists to be ethically critical are voluntarily eliminated. In this manner, wood from endangered and potentially endangered tree species is voluntarily eliminated, and only wood originating from sustainable cultivation and whose provenance, forestry, and CITES are declared and certified is used. In addition, Swatch Group takes particular care to ensure that its supply of exotic leather originates from very few, clearly identified, controlled, and sustainable farming operations. The result is that only a small number of farms in the United States, which can guarantee the very strict US Fish and Wildlife as well as the above-mentioned CITES guidelines, can be used.

### Precious metal sourcing

Swatch Group has a clear sourcing policy in regard to precious metals. They are only purchased from individual established long-term suppliers who can demonstrate that as well as complying legally and according to all the provisions financial market authority, they are at least certified members of the Responsible Jewellery Council (RJC) or the London Bullion Market Association (LBMA), and can guarantee that the precious metals delivered originate from impeccable sources and conflict-free regions. The RJC norm is specifically aimed at the *Haute Joaillerie* and jewelry industry and includes the OECD guidelines for precious metal sourcing (OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold) as well as Standard SA8000 (Social Accountability International) on responsible and ethical sourcing of material.

The processes for metal sourcing have been continuously improved over the years, and may be improved further, notably by ensuring complete traceability of the supply chain. In this regard, cooperation has been established with the relevant authorities and institutions, such as within the framework of the Better Gold Initiative with the SECO (State Secretariat for Economic Affairs). Since the origin of gold is important, the group exclusively procures "traceable gold" from North America and Australia, where mines are operated according to extremely stringent conditions imposed by the authorities. Moreover, the gold supply chain is kept very short and direct.

Moreover, the investments made in recent years in the Group's foundries and precious metal treatment plants have also enabled complete internalization of processes and precious metal refining, so as to ensure that the transformation of precious metal stocks, production of alloys and their recycling are all done in-house. After processing the alloys, bar profiles and raw ingots are produced and then transformed by further internal production processes into semi-finished goods. The Swatch Group thus controls the entire gold processing chain, while subjecting its entire treatment cycle to a clearly defined process. The Nivarox-FAR-foundry plays a key role in this respect, since it processes the Group's entire gold stocks in a closed and strictly controlled circuit. The Nivarox-FAR-foundry has the necessary federal authorizations both as a founder and as a commercial assayer (sworn-in assayer). It also holds the Responsible Jewellery Council Code of Practice certification.

### Diamond and gemstone sourcing

Diamonds are only purchased from the few suppliers who completely respect and implement the Kimberley Process certification system. Certification guarantees that diamonds can be proven to originate from conflict-free regions and from legal trade. Countries, companies, and merchants who do not use this certification system in its entirety are excluded from trade. In addition, only long-term partners who comply with the CIBJO (*Confédération Internationale de la Bijouterie, Joaillerie, Orfèvrerie des diamants, perles, et pierres*; The World Jewellery Confederation) guidelines as well as the Kimberley Process are used, in order to eliminate any quality and sourcing risks.

# SOCIAL POLICY



At the end of 2017 and the beginning of 2018, the economic environment and prospects for the watchmaking industry were improved and Swatch Group was able to meet the high demands of the different markets. This was made possible by employees who not only remained active during the difficult months but also used the time available to acquire new skills and thus meet the challenges facing Swatch Group.

It was important to maintain a good and open relationship with the staff, who acknowledged the efforts made by their employers to maintain the positions as well as the general conditions required for each person's personal fulfillment.

## **Employment**

In terms of employment, 2018 achieved a new record, with the creation of more than 1500 positions compared to December 31, 2017, representing a total of more than 18000 Swatch Group contracts in Switzerland and more than 19000 internationally. These figures are greater than those in 2015, the year which had previously had the highest staff complement for Swatch Group.

These results increase the responsibility of the management in all companies towards their employees, who place their trust in Swatch Group and who make their skills available to meet future challenges.

## **Staff Development**

Faced with the sharp increase in the number of employees, a large number of intense and essential internal training sessions took place, enabling each individual to rapidly acquire the skills and processes required to fulfill their missions. This support for new employees was also a good learning curve in developing and reinforcing the versatility of older employees with the motivation to transmit their knowledge to the newcomers.

## **Initial Professional Training**

Thanks to the Swatch Group Executive Management Board's vision and long-term strategy, it was again possible to offer a permanent contract to all technical apprentices at the end of their training in order to round off and develop their skills with a view to an interesting future within the company.

Similarly, there were more apprentices hired in August 2018 than the number that completed their training in June of the same year. With close to 500 apprentices, the overall number still increased slightly as a result.





For the fifth time, two apprentice watchmakers spent eleven weeks in Hong Kong to discover the activities of a repair center and benefit from multicultural experiences on the other side of the planet. The Hong Kong staff as well as the young pair were equally enthusiastic and underscored the rationale for maintaining this approach.

Other linguistic exchanges allowed three French Swiss apprentices to spend six weeks in Berlin and three young Swiss Germans to spend six weeks in Paris. Lodged with host families, they worked in Swatch boutiques while attending language schools.

In Switzerland, Swatch Group apprenticeships involve 32 different trades, which range from a single apprentice to 91 in the most represented professions. Accordingly, Swatch Group is the watchmaking industry's biggest trainer, both in terms of the number of young people in training and the number hired by the companies after their training.

#### **Nicolas G. Hayek Watchmaking Schools**

The six Nicolas G. Hayek Watchmaking Schools continued to meet the key need to have individuals who are competent and trained in the watchmaking industry in the different countries, to ensure consistent advice and repairs across our sales network and Customer Service platform.

This curriculum is recognized beyond Swatch Group, which needs to motivate and provide development opportunities to these young people, so that they remain with the company after their initial training.

#### **Professional Development**

The positive trend in demand in 2018, which resulted in the creation of numerous positions, also had an effect on the skills-monitoring workshops and development centers, as well as on internal on-the-job training. Employees were entrusted with new tasks at their workstations, according to their skills and

interests. This way of doing things allowed them to be rapidly integrated into their new missions and to develop and accept more complex, attractive and high-added-value responsibilities.

#### **Social Partnership and Working Conditions**

Two years after its implementation, the watch industry's new Swiss Collective Labor Agreement, valid for five years, was perfectly integrated by staff, staff committees, the management and the trade union partners with whom the company seeks to maintain a dialogue and constructive collaboration throughout the year and in all regions.

Following the 1.2% increase in the consumer price index at the end of August 2018 compared to August 2017, in line with the Swiss Collective Labor Agreement, Swatch Group proceeded to implement salary increases for 2019 of between 52 Swiss francs at the least and 78 at the most. This will have an impact of several million francs on the payroll. Given that nearly 95% of turnover is achieved outside of Switzerland in monetary areas where the strong Swiss franc has a negative impact on business, vigilance is essential. Each company must remain efficient and retain its entrepreneurial spirit in order to absorb this increase in labor costs and continue to invest for the future.

At the same time, there has been a particular focus on all the constituent elements of working conditions, such as ergonomics in the workplace, monitoring of movements and posture, analysis of buildings and the optimization of production equipment. All the companies are extremely active in this regard with the aim of offering a pleasant working environment adapted to the missions of all concerned employees, and driven by a positive outlook.







## 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 18 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 208 to 211 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, 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 Swiss.

Further information concerning market capitalization and earnings per share is shown on page 230.

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 2018, the Hayek Pool, related parties, institutions and persons control 61 662 277 registered shares and 11 715 bearer shares, totalling 39.8% (previous year 40.0%) of all the votes.

The Hayek Pool comprises the following members per 31 December 2018:

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 Walder Wyss 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 Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
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, Fonds de prévoyance SSIH 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 39.3% (previous year 39.6%) of all the votes; third party Pool members are represented therein, they comprise 3.4% of all the voting rights.



## CORPORATE GOVERNANCE

On 31 December 2018, no other individual shareholder or group of shareholders holding more than 5% is known to the Company.

### 1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

On 31 December 2018, 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 31.12.2018</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 2018.

### 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
31.12.2016	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2017	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2018	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 2017 and 2018, is published on page 177. For The Swatch Group Ltd, it is published for the years 2017 and 2018 in note 11 on page 222. With regard to the previous years we refer to the annual reports 2015, 2016 and 2017.

### 2.4 Shares and participation notes

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, with the takeover of control of the Swatch Group by the Hayek Pool, a block of shares was reserved in favor of a management stock option plan. With regard to the content of this portfolio as of 31 December 2018, reference is made to note 29 on page 205. In 2018, 209 870 registered shares were 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>
2016	67 981	197	2018
2017	70 002	236	2018
2018	71 887	232	2018
<b>Total</b>	<b>209 870</b>		

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

<b>Year of issue</b>	<b>Number of registered shares</b>	<b>Number of beneficiaries</b>	<b>Year of subscription/payup</b>
2017	68 918	226	2019
2018	71 601	228	2019
2018	71 808	228	2020
<b>Total</b>	<b>212 327</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 Board of Directors / 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. The beneficiaries may choose to block their shares for a vesting period of 5 or 10 years. With the exception of Mrs Nayla Hayek and Mr Nick 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

The Board of Directors on 31 December 2018 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. 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. Mrs Hayek is Chairwoman of the Board of Directors of the Rivoli Group, Dubai and represents there the interests of Swatch Group. Following the acquisition of Harry Winston as per 26.03.2013, Mrs Hayek was appointed president and CEO of this new business entity. She is also a member of the Board of Directors of Belenos Clean Power Holding Ltd. As Board member of the Hayek Holding AG, she is responsible for Hayek Engineering AG, Hayek Immobilien AG and Hayek France SA. 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 the Executive Chairman 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 and of the Advisory Board of the Austrian SIGMA Group. Otherwise, he exercises no other executive or advisory functions and holds no 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 1992, 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 Chairman of the Board of Directors of Belenos Clean Power Holding Ltd.

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

**Dr Jean-Pierre Roth**, Swiss citizen, Dr oec. Graduate Institute (HEI) Geneva, has been a member of the Board of Directors since 2010. Following postgraduate studies at the Massachusetts Institute of Technology in the USA, Mr Roth taught at the University of Geneva and at the Graduate Institute (HEI). In 2009 the University of Neuchâtel conferred him a honorary doctorate in economics. Jean-Pierre Roth joined the Swiss National Bank in 1979 where he was active in various areas in Zürich and Bern. On May 1, 1996 he was appointed Vicepresident of the board. On January 1, 2001 he was elected President of the board. Jean-Pierre Roth was Swiss governor of the International Monetary Fund (IMF) in Washington. From March 1, 2006 until end of February 2009 he was Chairman of the Board of Directors of the Bank of International Settlements (BIZ) in Basel. At the end of 2009, Mr Roth resigned as President of the Swiss National Bank. Mr Jean-Pierre Roth was elected as President of the «Banque cantonale de Genève» and member of the Board of Swiss Re and of Nestlé Ltd in 2010. In 2014, he was elected as member of the Board of MKS (Switzerland). Since then, Mr Roth retired from the Board of Swiss Re and the «Banque cantonale de Genève». Since July 1, 2017, Mr Roth acts as Vice President of the Arab Bank (Switzerland) Ltd.

## CORPORATE GOVERNANCE

**Daniela Aeschlimann**, a Swiss national, has been a member of the Swatch Group Board of Directors since 2016. Ms Aeschlimann studied Business Economics and graduated with a Bachelor of Science in Business Administration from Lucerne University of Applied Sciences. In 2016, she successfully completed an Executive MBA at the University of St. Gallen. Since 2010, she has been a member of the Board of Directors of the Avesco Group and since 2013, has also served as the Board's vice-president. Ms Aeschlimann serves on several other boards of directors and trustees including, notably, a seat on the Board of Directors of Belenos Clean Power Holding SA that she has held since 2014.

### 3.2 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 one year. 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 19 of the Swatch Group Statutes the votes and elections take place openly, except where the Chairman orders a written or electronic 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 2019
Georges Nicolas Hayek	2010	up to 2019
Prof. Dr. h.c. Claude Nicollier	2005	up to 2019
Dr. Jean-Pierre Roth	2010	up to 2019
Ernst Tanner	1995	up to 2019
Daniela Aeschlimann	2016	up to 2019

On the occasion of the General Meeting 2018 the members of the board of directors were re-elected for another term of one year. Mr Jean-Pierre Roth has been designated as the representative of the bearer shareholders and Mrs Nayla Hayek as representative of the registered shareholders.

### 3.3 Changes in the Board of Directors

In the year under review, there were no changes in the Board of Directors.

### 3.4 Number of permissible mandates

According to art. 40 of the Swatch Group Statutes, no member of the Board of Directors shall hold more than four additional directorships in listed companies and ten additional directorships in unlisted companies. The following are not covered by these restrictions (i) directorships in companies which are directly or indirectly controlled by the company or which control the company, (ii) directorships held by a member of the Board of Directors on behalf of or at the request of the company or a company controlled by it, provided that no member of the Board of Directors shall hold more than 20 such directorships, and (iii) mandates in associations, charitable organizations, non-profit foundations and employee welfare foundations, as long as no member of the Board of Directors shall hold more than 30 such mandates. Directorships shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Directorships in different legal entities that are under joint control or same beneficial ownership are deemed one directorship.

### 3.5 Internal organizational structure of the Board of Directors

At the General Meeting 2018, the Chairwoman of the Board of Directors (Mrs Nayla Hayek) was elected by the shareholders (until the next General Meeting). Moreover, the Board of Directors is self-constituting. It has appointed a Vice-Chairman (Mr Ernst Tanner) from its midst. The office of Secretary to the Board of Directors is carried out by Mrs Jennifer 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 respectively is 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 Audit Committee is chaired by Mrs Nayla Hayek. The office of Chair of the Compensation Committee is conducted by Mr Ernst Tanner, Vice-Chairman of the Board of Directors. The Chairwoman of the Audit Committee and the Chairman of the Compensation Committee were elected by the Board of Directors at their first meeting after the General Meeting 2018.

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 8.3).



## CORPORATE GOVERNANCE

The Compensation Committee concerns itself with the compensation policy of the company. It supports the Board of Directors in determining the compensation systems and the principles of compensation as well as the preparation of proposals to the General Meeting with regard to the approval of compensation. The Compensation Committee can submit proposals and recommendations to the Board of Directors in all compensation matters.

With the entry into force of the revised Swatch Group Statutes, the Compensation Committee deals with all questions in the field of compensation and proposes solutions for the attention of the Board of Directors. The Board of Directors is the decision-making body. It submits the required resolutions to the General Meeting for approval. Further details can be found in the separate Compensation Report for the business year 2018.

The Board of Directors does not have a Nomination Committee at its disposal. The tasks of the Nomination Committee (determination of the criteria for the selection of candidates for election as members of the Board of Directors, selection procedure, etc.) are carried out directly by the Board of Directors, in view of the small number of members.

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

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, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit Committee. The Chief Financial Officer (CFO) 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. 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 management of The Swatch Group Ltd.

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 management of The Swatch Group Ltd. is responsible for the current operative business of the The Swatch Group Ltd.

### 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. The Chairwoman of the Board of Directors has an Audit-Team available, which she may deploy in specific cases.

## CORPORATE GOVERNANCE

### 4. Group Management (Executive Group Management Board/Extended Group Management Board)

At 31 December 2018

#### 4.1 Members of the Executive Group Management Board

**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 1992, 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.

**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 Micro-electronic, Micro Crystal, Renata and Oscilloquartz. Mr Darwish has been with the Group since 1979, starting as Project Manager for the Xicor-Ebauches 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 and since 2015 also the Vice Chairman of this body.

**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, Breguet, Jaquet Droz and Glashütte Original as well as for CHH Microtechnique. Since August 2017, Mr Hayek is also a member of the Board of Directors of Belenos Clean Power Holding Ltd. 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 2012, he is responsible for Corporate Finance, Reporting, Investor Relations, IT, Swatch Group Greece and Swatch Group South Africa. 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 economiesuisse, 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).

## CORPORATE GOVERNANCE

### 4.2 Members of the Extended Group Management Board

**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 President of Tissot. Previously, he had been active as Delegate of the Board of Directors of Juvenia and General Manager of Breitling during 13 years. He represents the Group in the AMS Association des fournisseurs d'horlogerie, marché suisse (Chairman).

**Raynald Aeschlimann**, Swiss citizen, graduated with a degree in economics and an M.A. from the University of St. Gallen (HSG). He was appointed to the Swatch Group's Extended Group Management Board in 2013. Since 2016 Mr. Aeschlimann is President of Omega Ltd. Prior to that, he was Vice President and International Director of Sales, Retail and Distribution at Omega Ltd. 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 Complementa 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, Swatch Group UK and Ireland, and Swatch Group Nordic (Denmark, Finland, Sweden, Norway) as well as the distribution logistics for watches in Europe and worldwide for the batteries. He joined the Swatch Group in 1995 (Swatch AG). He subsequently assumed responsibility for the telecom business of the Swatch Group and was thereafter appointed as Country Manager for the USA, responsible for Hamilton and later on for Glashütte Original, as well as for further European countries. Before joining the Group, Mr. Gamard held various roles 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. Over the recent years, Mr. Gottier has led various companies within Swatch Group Electronic Systems and completed their restructuring. 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.



## CORPORATE GOVERNANCE

**Calogero Polizzi**, Italian citizen, holds a diploma in information technology from the Industrial Technical Institute L. Cobiانchi in Verbania, Italy. He was appointed to the Swatch Group's Extended Group Management Board in 2013. Since 2017, he is responsible for the software aspects of the new Swiss Operating Systems of IoT (Internet of Things). He was responsible for the IT systems at Swatch Group since his appointment as CIO (Chief Information Officer) in 2005 and was a member of the management of The Swatch Group Services Ltd. Previously he worked as IT Manager at Swatch Group Italy 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.

**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 Macau and 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 as well as Swatch Group Singapore, Swatch Group Indonesia and Swatch Group US. 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 positions within 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).

### 4.3 Number of permissible mandates

According to art. 40 of the Swatch Group Statutes, no member of the Group Management Board shall hold any directorships in listed companies and more than four additional directorships in unlisted companies. The following are not covered by these restrictions (i) directorships in companies which are directly or indirectly controlled by the company or which control the company, (ii) directorships held by a member of the Group Management Board on behalf of or at the request of the company or a company controlled by it, provided that no member of the Group Management Board shall hold more than 20 such directorships, and (iii) mandates in associations, charitable organizations, non-profit foundations and employee welfare foundations, as long as no member of the Group Management Board shall hold more than 30 such mandates. Directorships shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Directorships in different legal entities that are under joint control or same beneficial ownership are deemed one directorship.

### 4.4 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 other entitlements to any compensation.

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

In August 2018, Mr. Thomas Meier retired from the Extended Management Board. Otherwise, there were no changes in the Executive Group Management Board or the Extended Group Management Board during the year under review.

### 4.6 Management Contracts

Within the framework of a global contract, Hayek Engineering AG, Zurich, placed its management personnel in particular at the disposal of operational activities, as well as in the areas of real estate and logistics.

### 4.7 Country Panel

At the beginning of 2014, a Country Panel was constituted with the task of supporting the Executive Group Management Board, in particular in the fields of distribution and international business development. The Country Panel meets usually twice per business year. The meetings are chaired by the president of the Executive Group Management Board. The function of the Country Panel is purely advisory. It is made up of the Country Managers of important country organisations. In addition, there are further members who are appointed by the Executive Group Management Board from among the presidents of the further country organisations (rotation principle).

## CORPORATE GOVERNANCE

### 5. Compensation, shareholdings and loans / credits

#### 5.1 Compensation

The material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee and of the various compensation elements, etc. are exposed in a separate compensation report. Additionally, it is pointed out that according to Art. 32 para. 7 of the Swatch Group Statutes, the compensation may be awarded in the form of cash, shares, in kind or in the form of services; with regards to the executive members of the Board of Directors and the members of the Group Management Board, their compensation may in addition be awarded in the form of other participation rights, options, or similar instruments or units. The Board of Directors or, to the extent delegated to it, the compensation committee shall determine the applicable conditions relating to the grant, the exercise as well as the deadlines, possible blocking periods and forfeiture conditions.

The separate Compensation Report also covers the loans, credits and share programs and is thus referred to here.

#### 5.2 Participation programs

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.

The share program is described in the Compensation Report.

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 2018 may be consulted on page 225.

#### 5.3 Loans, credits

Loans and credits to members of corporate bodies are considered in the Compensation Report.

#### 5.4 Approval by the General Meeting

Pursuant to Art. 31 of the Swatch Group Statutes, the General Meeting shall annually approve the motions of the Board of Directors in relation to the aggregate amounts of (i) the maximum fixed compensation of the members of the Board of Directors for the period until the next Ordinary General Meeting, (ii) the maximum fixed compensation of the members of the Group Management Board for the current business year, (iii) the variable compensation of the executive members of the Board of Directors for the completed business year and (iv) the variable compensation of the members of the Group Management Board for the completed business year. The Board of Directors may thereof propose additional motions to the General Meeting or motions which vary from those mentioned above, to the extent permitted by law.

The company or companies controlled by it shall be organized to pay to persons who become members of the Group Management Board or are being promoted within the Group Management Board after the General Meeting has approved the compensation of the Group Management Board for the relevant period a supplementary amount during the compensation period(s) already approved, if the maximum aggregate amount of compensation already reapproved by the General Meeting is not sufficient to cover their compensation. The supplementary amount shall not exceed 40% of the last approved aggregate amount of compensation of the Group Management Board.

In the event that the General Meeting does not approve a motion of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts. The Board of Directors shall submit the amount(s) so determined for approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Ordinary General Meeting.

The company or companies controlled by it may pay out compensation prior to the approval by the General Meeting subject to the subsequent approval by the General Meeting.

## CORPORATE GOVERNANCE

### 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 by the independent voting-rights representative.

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 modification of the representation restrictions is only possible through a change of the provisions of the Statutes. For such modification a decision of the General Meeting with a relative majority is required.

Shareholders who cannot attend the General Meeting in person may arrange to be represented by their legal representative, by another shareholder entitled to vote or by the independent voting-rights representative.

#### 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 14 (3) of the Swatch Group Statutes in conjunction with Art. 699 and 700 OR).

#### 6.5 Entries in the share register

As a general rule, 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. 10 of the Swatch Group Statutes in conjunction with Art. 135 FinfraG).

#### 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.



## CORPORATE GOVERNANCE

### 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.

Mr. Thomas Brüderlin, as head auditor (Engagement Partner), has been responsible for the audit and Group audit since the 2018 accounting year.

#### 8.2 Auditing fees and additional fees

The following auditor's fees have been charged to the 2018 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.6	0.9	1.2	6.7
Other Auditing Companies	0.6	0.7	0.3	1.6
<b>Total 2018</b>	<b>5.2</b>	<b>1.6</b>	<b>1.5</b>	<b>8.3</b>
Total 2017	5.0	1.2	1.1	7.3

#### 8.3 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. As a general rule, the Audit Committee meets twice a year 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. Together with the auditors, 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 31, 2019    Key figures 2018
- March 14, 2019    Press conference / annual report 2018
- May 23, 2019      General Meeting of Shareholders
- July 31, 2019      Half-year figures 2019

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 "<https://www.swatchgroup.com/en/investors-space/annual-report>". In addition, the [swatchgroup.com](http://www.swatchgroup.com) homepage allows for the possibility of subscribing to the Push-and-Pull information service in order to receive ad-hoc-financial announcements.

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

**FINANCIAL STATEMENTS 2018**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FINANCIAL STATEMENTS**  
**OF THE SWATCH GROUP LTD**





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## FINANCIAL REVIEW

### Key financial developments in 2018

<b>– Net sales:</b>	Group net sales increased by 6.1% to CHF 8 475 million at current exchange rates (+ 5.7% at constant rates).
<b>– Operating result:</b>	Operating result increased by 15.2% to CHF 1 154 million. Operating margin increased from 12.5% in the previous year to 13.6%.
<b>– Net income:</b>	Net income increased by 14.8% to CHF 867 million, with a net margin of 10.2% (previous year: 9.5%).
<b>– Dividend:</b>	Dividend proposal: increase of 6.7% to CHF 8.00 per bearer share and CHF 1.60 per registered share.

### Financial review

#### 1. Key figures Group

(CHF million)	2018	2017 <sup>1)</sup>	Change in %		Total
			at constant rates	currency effect	
<b>Net sales</b>	<b>8 475</b>	7 989	+5.7%	+0.4%	+6.1%
<b>Operating result</b>	<b>1 154</b>	1 002			+15.2%
– in % of net sales	<b>13.6%</b>	12.5%			
<b>Net income</b>	<b>867</b>	755			+14.8%
– in % of net sales	<b>10.2%</b>	9.5%			
<b>Equity</b>	<b>11 274</b>	11 289			-0.1%
– as a % of balance sheet total	<b>82.5%</b>	83.8%			

<sup>1)</sup>The prior period has been restated due to the comparability of the presentation (Note 2e).

## FINANCIAL REVIEW

### 2. Environment / Financial year

#### Development net sales and operating result

(CHF million)	2018			2017 <sup>1)</sup>		
	Third	Group	Total	Third	Group	Total
<b>Net sales</b>						
Watches & Jewelry	8 213	1	8 214	7 730	1	7 731
Electronic Systems	257	16	273	254	13	267
Corporate	5	5	10	5	5	10
Elimination		-22	-22		-19	-19
<b>Total</b>	<b>8 475</b>	<b>-</b>	<b>8 475</b>	<b>7 989</b>	<b>-</b>	<b>7 989</b>

(CHF million)	2018		2017 <sup>1)</sup>	
	Total	in % of net sales	Total	in % of net sales
<b>Operating result</b>				
Watches & Jewelry	1 258	15.3%	1 104	14.3%
Electronic Systems	14	5.1%	5	1.9%
Corporate	-118		-107	
<b>Total</b>	<b>1 154</b>	<b>13.6%</b>	<b>1 002</b>	<b>12.5%</b>

<sup>1)</sup> The prior period has been restated due to the comparability of the presentation (Note 2e).

With its 18 brands, the Swatch Group is present in all segments, and is a fully verticalized company, from production and distribution to its own worldwide retail network, including e-commerce. The Group is the largest industrial employer in Switzerland, and continuously makes long-term investments, not only in research and development of innovative products, but also in the close to 150 production facilities in Switzerland. The Group is unparalleled in the Swiss as well as the worldwide watch industry.

In 2018, the strongest sales growth was realized by the prestige and luxury range, particularly by the brands Blancpain, Omega and Longines, despite the high level of back orders caused by capacity bottlenecks in the Habillage sector. These amounted to a triple-digit million figure. The volume brands of the middle and basic price range performed well.

High growth rates were achieved again in Asia, both in wholesale and in the Group's own retail including e-commerce, although a downturn in demand occurred in the last three months of the year, particularly in wholesale. Further clear market share gains were achieved in Japan. Sales in North America developed very positively, including the last three months of the year. Conversely, Europe displayed a mixed picture. Countries such as Great Britain and Switzerland increased their sales, while other countries such as France were very weak, especially at the end of the year, for the known reasons. Russia showed a strong upward trend in local currency. E-commerce grew strongly in the middle and basic segment, but varied from region to region. Major opportunities exist in this distribution channel in 2019, particularly for Swatch and Tissot. The increase of almost 10% in the Group's retail sales, with the same number of stores, demonstrates the improvement in productivity.

The Electronic Systems segment generated net sales of CHF 273 million, corresponding to a growth of 2.2%. The operating result improved significantly in this segment and reached CHF 14 million (previous year: CHF 5 million).

Driven by growth in the Watches & Jewelry segment, capacity utilization in production improved significantly. Due to major capacity bottlenecks, particularly in the Habillage sector, the Group benefitted too little from its verticalized structure in the second half of the year. Nevertheless, the Group increased its operating result by 15.2% to CHF 1 154 million, corresponding to an operating margin of 13.6%.



## FINANCIAL REVIEW

### Development net income

(CHF million)	2018	2017
<b>Operating result</b>	<b>1 154</b>	1 002
Net financial result	- 22	2
<b>Ordinary result</b>	<b>1 132</b>	1 004
Non-operating result	1	3
<b>Profit before income taxes</b>	<b>1 133</b>	1 007
Income taxes	- 266	- 252
<b>Net income</b>	<b>867</b>	755
- in % of net sales	<b>10.2%</b>	9.5%
- Change from previous year in %	<b>14.8%</b>	27.3%

### Basic earnings per share – expressed in CHF per share:

- Registered shares	<b>3.23</b>	2.77
- Bearer shares	<b>16.14</b>	13.86

The net financial result for the year under review closed with a loss of CHF 22 million (compared to a gain of CHF 2 million in the previous year), primarily influenced by a strongly negative net currency result of CHF 25 million. Further details to the net financial result can be found in Note 5f of the consolidated financial statements.

Income tax expense in relation to profit before income taxes decreased from 25.0% in the previous year to 23.5% in the year under review. The anticipated higher average tax rate for the Group could be more than offset by the sharp decrease in non-capitalized carryforward tax losses. A detailed analysis of the income tax expense is set out in Note 6 of the consolidated financial statements.

Net income increased by 14.8% to CHF 867 million, with a net margin of 10.2% (previous year: 9.5%).

In the current year, basic earnings per share amounted to CHF 3.23 (previous year: CHF 2.77) for registered shares and CHF 16.14 (previous year: CHF 13.86) for bearer shares. As in previous years, dilution of earnings was immaterial. Detailed information can be found in Note 7 of the consolidated financial statements.

At the Annual General Meeting on 23 May 2019, the Board of Directors of the Swatch Group will propose a dividend increase of 6.7% to CHF 8.00 per bearer share and CHF 1.60 per registered share (previous year CHF 7.50 per bearer share and CHF 1.50 per registered share).

## FINANCIAL REVIEW

### Development balance sheet structure

(CHF million)	2018	2017
<b>Current assets</b>	<b>9 458</b>	9 458
<b>Current liabilities</b>	<b>1 549</b>	1 373
<b>Equity</b>	<b>11 274</b>	11 289
– as % of total assets	<b>82.5%</b>	83.8%
<b>Average return on equity (ROE)</b>	<b>7.7%</b>	6.8%

Current liabilities were covered by current assets by a factor of 6.1 (previous year: 6.9). This factor indicates a very healthy structure of the short-term balance sheet positions.

In the year under review, equity remained practically unchanged at CHF 11.3 billion, despite further share buybacks. The equity ratio was a solid 82.5% of total assets (previous year: 83.8%).

### Development liquidity

(CHF million)	2018	2017
<b>Cash and cash equivalents at 1.1.</b>	<b>1 291</b>	1 136
<b>Cash flow from operating activities</b>	<b>943</b>	1 264
<b>Cash flow from investing activities</b>	<b>– 651</b>	– 435
<b>Cash flow from financing activities (incl. foreign exchange rate differences on cash)</b>	<b>– 681</b>	– 674
<b>Cash and cash equivalents at 31.12.</b>	<b>902</b>	1 291

Operating cash flow amounted to CHF 943 million. The reduction of 25% versus the previous year is primarily due to substantial investments in gold and diamonds, as well as to higher tax payments. Within the scope of the share buyback program 2016-2019, treasury shares with a market value of CHF 388 million were repurchased in the year under review. The volume purchased from the beginning of the program until the end of 2018 amounted to a total of CHF 924 million. The net financial position at the end of the year amounted to CHF 1.0 billion.

The buyback program concluded on 24 January 2019. It is intended to propose to the shareholders at the upcoming Annual General Meeting on 23 May 2019 that the bearer shares and registered shares repurchased during this program, as well as the remaining bearer shares from the buyback program 2008, be used to reduce share capital.

In the year under review, the Swatch Group invested a total of CHF 504 million in non-current operating assets, including further massive investments in the production sector in Switzerland.

The dividend payment of CHF 394 million (previous year: CHF 357 million) and the share buyback were the main cash flows from financing activities.

## FINANCIAL REVIEW

### 3. Outlook

The Swatch Group anticipates healthy growth in 2019, despite the strong comparison basis in the first half of 2018. Demand is good and production problems and bottlenecks, particularly in the Habillage sector, will be resolved in the first semester. Further expansion of e-commerce, mainly in the middle and basic range, will open additional possibilities. The leadership position of the Swatch Group in China will become a major opportunity for the Group in 2019, even if ongoing market turbulence remains disruptive. Additional gains in market share are expected in Japan and the USA in 2019.

Harry Winston will continue its dynamic growth trend in 2019, accelerated as well by the confirmation of the top position of the brand by the purchase of the Pink Legacy diamond.

Blancpain ended 2018 with record sales. The product Fifty Fathoms is one of the drivers of this success. The brand appeals ideally to the millennium generation, and strong growth is also expected in 2019.

Omega is celebrating the 50-year anniversary of the moon landing with various additional product launches on this theme. Additionally, in the second half of 2019, the special editions „minus 1“ for the Olympic Games 2020 in Tokyo will be launched in Japan.

The high demand for the Longines V.H.P. (Very High Precision) collection could not be adequately served in the last quarter of 2018 due to production bottlenecks. Elimination of these bottlenecks will have a very positive impact on the development of the brand in 2019.

Tissot will introduce its smart T-Touch with its own operating system during the course of 2019.

In January 2019, Swatch introduced Swatch Pay in Switzerland with great success, and further countries will follow during the course of the year. In February 2019, Swatch will launch the first Sistem51 products with the patented Nivachron balance spring with antimagnetic properties.

In future, all mechanical watches for Swatch Group brands will feature antimagnetic properties, either with the silicon balance spring or the Nivachron balance spring, both patented inventions. This means a substantial quality improvement in terms of precision and reliability. As a result, Swatch Group brands gain a clear advantage over many well-known brands in the Swiss and international watch industry which do not have similar antimagnetic quality characteristics. This improvement, which will be backed up by a longer guarantee period, will translate into clear market share gains in 2019 and beyond.





## CONSOLIDATED INCOME STATEMENT

	Notes	2018		2017 <sup>1)</sup>	
		CHF million	%	CHF million	%
<b>Net sales</b>	(4, 5a)	<b>8 475</b>	<b>100.0</b>	7 989	100.0
Other operating income	(5b)	180	2.1	116	1.4
Changes in inventories		632	7.5	83	1.0
Material purchases		- 2 226	- 26.3	- 1 735	- 21.7
Personnel expense	(5c)	- 2 563	- 30.3	- 2 339	- 29.3
Depreciation and impairment on property, plant and equipment	(15)	- 451	- 5.3	- 433	- 5.4
Amortization and impairment on intangible assets	(16)	- 43	- 0.5	- 43	- 0.5
Other operating expenses	(5d)	- 2 850	- 33.6	- 2 636	- 33.0
<b>Operating result</b>		<b>1 154</b>	<b>13.6</b>	1 002	12.5
Other financial income and expense	(5f)	- 19	- 0.2	- 16	- 0.2
Interest expense	(5f)	- 5	0.0	- 3	- 0.0
Share of result from associates and joint ventures	(5f, 17)	2	0.0	21	0.3
<b>Ordinary result</b>		<b>1 132</b>	<b>13.4</b>	1 004	12.6
Non-operating result	(5g)	1	0.0	3	0.0
<b>Profit before income taxes</b>		<b>1 133</b>	<b>13.4</b>	1 007	12.6
Income taxes	(6a)	- 266	- 3.2	- 252	- 3.1
<b>Net income</b>		<b>867</b>	<b>10.2</b>	755	9.5
Attributable to shareholders of The Swatch Group Ltd		845		733	
Attributable to non-controlling interests		22		22	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>	(7)				
<b>Registered shares</b>					
Basic earnings per share		3.23		2.77	
Diluted earnings per share		3.23		2.77	
<b>Bearer shares</b>					
Basic earnings per share		16.14		13.86	
Diluted earnings per share		16.13		13.85	

<sup>1)</sup> The prior period has been restated due to the comparability of the presentation (Note 2e).

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

**CONSOLIDATED BALANCE SHEET**

<b>Assets</b>	Notes	<b>31.12.2018</b>		31.12.2017	
		<b>CHF million</b>	<b>%</b>	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents	(9)	944	6.9	1 291	9.6
Marketable securities and derivative financial instruments	(10)	296	2.2	340	2.5
Trade receivables	(11)	893	6.5	1 076	8.0
Other current assets	(12)	159	1.2	178	1.3
Inventories	(13)	6 917	50.6	6 318	46.9
Prepayments and accrued income	(14)	249	1.8	255	1.9
<b>Total current assets</b>		<b>9 458</b>	<b>69.2</b>	9 458	70.2
<b>Non-current assets</b>					
Property, plant and equipment	(15)	3 245	23.8	3 281	24.3
Intangible assets	(16)	146	1.1	147	1.1
Investments in associates and joint ventures	(17)	59	0.4	57	0.4
Other non-current assets	(19)	336	2.5	144	1.1
Deferred tax assets	(6d)	417	3.0	392	2.9
<b>Total non-current assets</b>		<b>4 203</b>	<b>30.8</b>	4 021	29.8
<b>Total assets</b>		<b>13 661</b>	<b>100.0</b>	13 479	100.0

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



## CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	<b>31.12.2018</b>	%	31.12.2017	%
		<b>CHF million</b>		CHF million	
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(20)	203	1.5	16	0.1
Trade payables		393	2.9	354	2.6
Other liabilities	(21)	222	1.6	209	1.5
Provisions	(23)	94	0.7	93	0.7
Accrued expenses	(22)	637	4.6	701	5.2
<b>Total current liabilities</b>		<b>1 549</b>	<b>11.3</b>	1 373	10.1
<b>Non-current liabilities</b>					
Financial debts	(20)	22	0.2	26	0.2
Deferred tax liabilities	(6d)	558	4.1	532	4.0
Retirement benefit obligations	(24)	43	0.3	43	0.3
Provisions	(23)	53	0.4	69	0.5
Accrued expenses	(22)	162	1.2	147	1.1
<b>Total non-current liabilities</b>		<b>838</b>	<b>6.2</b>	817	6.1
<b>Total liabilities</b>		<b>2 387</b>	<b>17.5</b>	2 190	16.2
<b>Equity</b>					
Share capital	(26a)	125		125	
Capital reserves	(26b)	- 961		- 977	
Treasury shares	(26d)	- 1 251		- 863	
Goodwill recognized		- 1 372		- 1 372	
Translation differences		- 210		- 115	
Retained earnings		14 854		14 403	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>11 185</b>	<b>81.9</b>	11 201	83.1
Non-controlling interests		89	0.6	88	0.7
<b>Total equity</b>		<b>11 274</b>	<b>82.5</b>	11 289	83.8
<b>Total equity and liabilities</b>		<b>13 661</b>	<b>100.0</b>	13 479	100.0

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 CHF million	2017 CHF million
<b>Operating activities</b>			
Net income		867	755
Reversal of non-cash items	(28a)	762	692
Changes in working capital and other items included in operating cash flow	(28b)	- 412	- 22
Dividends received from associated companies	(17)	0	18
Interest received		14	9
Interest paid		- 5	- 3
Income tax paid	(6c)	- 283	- 185
<b>Cash flow from operating activities</b>		<b>943</b>	<b>1 264</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	(15)	- 437	- 396
Proceeds from sale of property, plant and equipment		5	6
Investments in intangible assets	(16)	- 44	- 46
Proceeds from sale of intangible assets		5	0
Investments in other non-current assets	(19)	- 222	- 22
Proceeds from sale of other non-current assets		14	12
Acquisition of subsidiaries – net of cash	(18a)	-	-
Divestments of businesses	(18b)	-	3
Purchase of marketable securities		- 77	- 112
Sale of marketable securities		105	120
<b>Cash flow from investing activities</b>		<b>- 651</b>	<b>- 435</b>
<b>Financing activities</b>			
Dividends paid to shareholders	(8)	- 394	- 357
Dividends paid to non-controlling interests		- 19	- 17
Repurchase of treasury shares	(26d)	- 389	- 204
Sale of treasury shares		1	1
Change in non-current financial debts		0	0
Change in current financial debts		144	- 100
Repurchase of non-controlling interests	(18c)	- 2	-
<b>Cash flow from financing activities</b>		<b>- 659</b>	<b>- 677</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>- 22</b>	<b>3</b>
<b>Change in cash and cash equivalents</b>		<b>- 389</b>	<b>155</b>
<b>Change in cash and cash equivalents</b>			
– At beginning of year		1 291	1 136
– At end of year	(9)	902	1 291

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)	Goodwill recognized	Translation differences	Retained earnings			
<b>Balance at 31 December 2016</b>	<b>125</b>	<b>- 991</b>	<b>- 660</b>	<b>- 1 372</b>	<b>- 142</b>	<b>14 027</b>	<b>10 987</b>	<b>86</b>	<b>11 073</b>
Net income						733	<b>733</b>	22	<b>755</b>
Currency translation of foreign entities					27		<b>27</b>	- 3	<b>24</b>
Dividends paid						- 357	<b>- 357</b>	- 17	<b>- 374</b>
Share-based compensation (Note 29):									
– Value of employee services (net of tax)		14					<b>14</b>		<b>14</b>
– Proceeds from sale of shares		1					<b>1</b>		<b>1</b>
Repurchase of treasury shares		- 1	- 204				<b>- 205</b>		<b>- 205</b>
Transactions with non-controlling interests			1				<b>1</b>		<b>1</b>
<b>Balance at 31 December 2017</b>	<b>125</b>	<b>- 977</b>	<b>- 863</b>	<b>- 1 372</b>	<b>- 115</b>	<b>14 403</b>	<b>11 201</b>	<b>88</b>	<b>11 289</b>
Net income						845	<b>845</b>	22	<b>867</b>
Currency translation of foreign entities					- 95		<b>- 95</b>	0	<b>- 95</b>
Dividends paid						- 394	<b>- 394</b>	- 19	<b>- 413</b>
Share-based compensation (Note 29):									
– Value of employee services (net of tax)		16					<b>16</b>		<b>16</b>
– Proceeds from sale of shares		1					<b>1</b>		<b>1</b>
Repurchase of treasury shares		- 1	- 388				<b>- 389</b>		<b>- 389</b>
Transactions with non-controlling interests		0	0				<b>0</b>	- 2	<b>- 2</b>
<b>Balance at 31 December 2018</b>	<b>125</b>	<b>- 961</b>	<b>- 1 251</b>	<b>- 1 372</b>	<b>- 210</b>	<b>14 854</b>	<b>11 185</b>	<b>89</b>	<b>11 274</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The Swatch Group Ltd (the Company) and its subsidiaries (collectively the Group) is active worldwide and represented in the finished watches and jewelry sector with 18 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 Swatch Group Ltd 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 in the Swiss Reporting Standard 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, 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 27 February 2019 and will be submitted to the Annual General Meeting of Shareholders for approval on 23 May 2019.

### 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. 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 Ltd. 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. Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. In the case of acquisitions, potentially existing non-capitalized intangible assets such as brands, user rights or client lists are not recognized separately, but remain in goodwill. Goodwill may also arise from investments in associated companies, calculated as the amount of the acquisition costs of the investment which exceeds its related net assets at fair value at the time of acquisition. Goodwill 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 of the net assets, 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

At the end of the year under review, the Group's consolidation structure comprised 158 legal entities (previous year: 162) including two joint ventures (previous year: two) and five associated companies (previous year: five). Three legal entities have been merged with other Group companies and one legal entity has been dissolved. Note 32 includes a complete list of Group companies.

### 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 which have an impact on the assets and liabilities, income and expenses reported, as well as the disclosure of contingent liabilities. These estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations and assessments 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.

Significant estimates, judgements and assumptions are made mainly in the following areas:

#### Inventories

The Group recognizes impairments on inventories subject to market risk or with risk of obsolescence. In doing so, historical experience, anticipated future requirements, and the life cycle of the individual products are taken into account. Impairments are regularly evaluated by the individual subsidiaries, based on Group guidelines, and adjusted when necessary. Details to adjustments made in the year under review are disclosed in Note 13.

#### Taxes

The Group operates worldwide and is subject to taxation in over 40 countries. The Group is fully compliant with tax laws without exception and pays taxes where economic value is generated. Group-internal transactions are conducted on an arm's length basis. The Group discloses the amount of tax paid and key tax figures annually in the "Country-by-Country Reporting". Calculation of current and deferred tax positions is based on the applicable tax laws. New circumstances such as changes in tax rates, tax systems, offsetting of carryforward tax losses, or estimates of the effect of ongoing tax audits can have a significant impact on the existing tax obligations or tax claims of Group companies. The Group proactively and systematically clarifies tax positions with tax experts to prevent tax eventualities. The Group is obligated to cooperate transparently with tax authorities. Details to income taxes and tax positions are disclosed in Note 6.

### e. Changes in accounting policies

No changes to the Swiss GAAP FER standards were published or announced in the year under review.

As of 2018, the Swatch Group recognizes sales-related transaction costs such as credit card fees as other operating expenses. Previously, these costs were deducted directly from net sales. This adjustment was made in order to increase the transparency of net sales and to enable comparison with normal international practice. To allow comparison with the presentation of figures for the year under review, prior-year figures were restated accordingly. The following table presents the impact in figures:

(CHF million)	31.12.2017 Restated	31.12.2017 Published	Change
<b>Net sales</b>	<b>7 989</b>	7 960	29
Other operating expenses	- 2 636	- 2 607	- 29
<b>Operating result</b>	<b>1 002</b>	1 002	0
<b>Net income</b>	<b>755</b>	755	0

## 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 consolidated 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
		2018	31.12.2018	2017	31.12.2017
		CHF	CHF	CHF	CHF
CNY	1	0.1478	0.1435	0.1461	0.1503
EUR	1	1.1540	1.1285	1.1186	1.1720
HKD	1	0.1250	0.1261	0.1263	0.1252
JPY	100	0.8892	0.8985	0.8800	0.8685
USD	1	0.9799	0.9875	0.9849	0.9790

### g. Sales and revenue recognition

Net sales include the inflow of economic benefits from the sale of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions and any value added tax are deducted from net sales reported. All intercompany sales are eliminated during consolidation.

As of 2018, sales-related transaction costs such as credit card fees, for example, are recognized as other operating expenses and no longer directly in net sales (see Note 2e).

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectability of the related receivables is reasonably secured. Revenue from services is recognized in the accounting period in which the service is rendered. 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. In the case of agency transactions, only the value of own services is recognized. In the event of business transactions involving identifiable multiple elements, these are to be recognized and valued separately. This type of transaction occurs only rarely within the Group.

### 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 current account overdrafts (Fund "Net Cash").

### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### j. Trade receivables

Trade receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Impairment is charged on receivables which are either more than 12 months overdue or for which 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. Allowances for impaired receivables as well as losses on trade receivables are recognized as other operating expenses.

### k. Inventories

Inventories are valued at the lower of acquisition or production cost and fair value less cost to sell. 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 own produced 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. The maximum depreciation periods are as follows:

– Land	no depreciation
– Production plants	30 years
– Administrative buildings	40 years
– Investment properties	50 years
– Technical equipment and machinery	15 years
– Other equipment and fixtures	8 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 commercial premises and residential buildings rented to third parties. The position advances and construction in progress 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.

### m. Intangible assets

#### Goodwill

Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. Goodwill may also arise from investments in associated companies, calculated as the amount of the acquisition costs of the investment which exceeds its related net assets at fair value at the time of acquisition. Goodwill from acquisitions is recognized in Group equity at the time of acquisition. The notes to the consolidated financial statements disclose the effects of a theoretical capitalization and amortization of goodwill (see Note 27).

#### 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 (maximum five years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Software

This heading includes in particular the following positions:

- Licenses purchased granting rights to use new technologies and software. They are amortized over their useful life (maximum five years).
- Internally developed software. 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 (maximum five years).

### Other intangible assets

This heading includes in particular the following positions:

- Key money for strategically located retail stores. If it 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 maximum 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).
- Patents and rights of use
- Development and software projects in progress. These are transferred into their respective categories after project completion.

### 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.

### 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. No discounting effects are taken into account on non-current provisions, as these are considered to be immaterial.

### 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

The Group may use derivative financial instruments such as forward exchange contracts or currency options to hedge against exchange risks. The Group did not designate such instruments as cash flows hedges, either in the year under review or in the previous year. All derivative financial instruments are booked at fair value. Fair value changes are recognized immediately in the financial result.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### r. Income taxes

The tax expense for the period comprises current income taxes and deferred taxes. 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 liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from 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.

#### 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 at 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 liability are met. An economic benefit is capitalized provided that it is permitted and intended to be used for future Group pension contributions. 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 financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the preliminary 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.

Some foreign 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 for a 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. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value.

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 Swatch Group Ltd has given its approval.

### v. Employee stock option plan

The Group operates a share-based employee stock option plan. Under the terms of this plan, a specified number of options to purchase registered shares are granted to managers and employees who have distinguished themselves by a particularly strong commitment to the company or an above-average performance. The fair value of the employee services received in exchange for the granting 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 calculation of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original calculations, if any, in the income statement, with a corresponding adjustment to equity. Registered shares from existing treasury stock have been specifically reserved for this plan. No new shares are issued for the employee stock option plan. The proceeds received, net of any directly attributable transaction costs, are recognized in Group equity when the options are exercised.

The dilutive effect of outstanding options on earnings per share is disclosed in Note 7b.

### w. Leases

#### Finance leases

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.

Property, plant and equipment are only leased in exceptional circumstances. At the end of the year under review, the net book value of property, plant and equipment under finance lease contracts amounted to less than CHF 1 million (previous year: less than CHF 1 million).

#### 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. At year-end no cash flow hedges existed (previous year: none).

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 investment grade. Exposure to this type of risk is closely monitored by Group management and is contained within strict and predetermined 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)	31.12.2018	31.12.2017
Cash and cash equivalents (Note 9)	944	1 291
Marketable securities and derivative financial instruments (Note 10)	296	340
<b>Short-term accessible liquidity reserves</b>	<b>1 240</b>	<b>1 631</b>
Committed credit facilities	824	772
./ Utilized credit facilities	- 222	- 35
<b>Total short-term accessible liquidity reserves and undrawn credit facilities</b>	<b>1 842</b>	<b>2 368</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. At the end of the year under review, equity represented 82.5% of total assets (previous year: 83.8%).

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.

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

– Watches & Jewelry	Design, production and commercialization 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 elimination column.

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

2018 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 213	257	5		8 475
– Group	1	16	5	– 22	–
<b>Net sales</b>	<b>8 214</b>	<b>273</b>	<b>10</b>	<b>– 22</b>	<b>8 475</b>
<b>Operating result</b>	<b>1 258</b>	<b>14</b>	<b>– 118</b>	<b>–</b>	<b>1 154</b>
– In % of net sales	15.3	5.1			13.6

2017 <sup>1)</sup> (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	7 730	254	5		7 989
– Group	1	13	5	– 19	–
Net sales	7 731	267	10	– 19	7 989
Operating result	1 104	5	– 107	–	1 002
– In % of net sales	14.3	1.9			12.5

<sup>1)</sup> The prior period has been restated due to the comparability of the presentation (Note 2e).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Balance sheet and other information

2018 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	12 344	279	5 556	– 4 577	13 602
– Investments in associated companies and joint ventures	6		53		59
<b>Total assets</b>	<b>12 350</b>	<b>279</b>	<b>5 609</b>	<b>– 4 577</b>	<b>13 661</b>
<b>Total liabilities</b>	<b>– 5 945</b>	<b>– 98</b>	<b>– 921</b>	<b>4 577</b>	<b>– 2 387</b>
<b>Net assets</b>	<b>6 405</b>	<b>181</b>	<b>4 688</b>	<b>–</b>	<b>11 274</b>

### Other information

Investments in property, plant and equipment	403	19	10		432
Investments in intangible assets	38	3	4		45
Investments in other non-current assets	23	–	199		222
Depreciation on property, plant and equipment	– 401	– 18	– 19		– 438
Amortization on intangible assets	– 38	– 2	– 3		– 43
Impairment	– 13	–	0		– 13

2017 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	12 261	301	5 138	– 4 278	13 422
– Investments in associated companies and joint ventures	5		52		57
<b>Total assets</b>	<b>12 266</b>	<b>301</b>	<b>5 190</b>	<b>– 4 278</b>	<b>13 479</b>
<b>Total liabilities</b>	<b>– 5 682</b>	<b>– 125</b>	<b>– 661</b>	<b>4 278</b>	<b>– 2 190</b>
<b>Net assets</b>	<b>6 584</b>	<b>176</b>	<b>4 529</b>	<b>–</b>	<b>11 289</b>

### Other information

Investments in property, plant and equipment	400	19	8		427
Investments in intangible assets	37	7	2		46
Investments in other non-current assets	22	0	0		22
Depreciation on property, plant and equipment	– 395	– 19	– 19		– 433
Amortization on intangible assets	– 38	– 2	– 3		– 43
Impairment	0	–	–		0

### b. Information on geographical regions

(CHF million)	2018		2017 <sup>1)</sup>	
	Net sales	Non-current assets	Net sales	Non-current assets
Switzerland	748	2 626	748	2 619
Other Europe	1 623	326	1 683	338
<b>Total Europe</b>	<b>2 371</b>	<b>2 952</b>	<b>2 431</b>	<b>2 957</b>
Greater China	3 093	407	2 798	207
Other Asia	2 127	271	1 937	279
<b>Total Asia</b>	<b>5 220</b>	<b>678</b>	<b>4 735</b>	<b>486</b>
Total America	733	148	687	173
Total Oceania	87	7	82	7
Total Africa	64	1	54	1
<b>Total</b>	<b>8 475</b>	<b>3 786</b>	<b>7 989</b>	<b>3 624</b>

<sup>1)</sup> The prior period has been restated due to the comparability of the presentation (Note 2e).

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 net sales</b>	(CHF million)	<b>2018</b>	2017
	Sale of goods	<b>8 454</b>	7 960
	Rendering of services	<b>21</b>	29
	<b>Total net sales</b>	<b>8 475</b>	7 989

**b. Other operating income** In the year under review, other operating income amounted to CHF 180 million (previous year: CHF 116 million). The increase is mainly due to the timekeeping services rendered in the year under review for the Olympic Games.

<b>c. Personnel expense</b>	(CHF million)	<b>2018</b>	2017
	Wages and salaries	<b>2 066</b>	1 889
	Social security costs	<b>354</b>	327
	Share-based compensation (Note 29)	<b>16</b>	14
	Pension costs (Note 24)	<b>127</b>	109
	<b>Total personnel expense</b>	<b>2 563</b>	2 339

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

(unaudited)	<b>2018</b>	2017
<b>Average annual headcount</b>	<b>36 074</b>	35 057
<b>Total headcount at 31 December</b>	<b>37 123</b>	35 360
Men	<b>17 904</b>	17 089
Women	<b>19 219</b>	18 271
Swiss contracts	<b>18 055</b>	16 709
Non-Swiss contracts	<b>19 068</b>	18 651

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>2018</b>	2017
	Marketing, sales and administration	<b>1 358</b>	1 267
	Subcontracting and other direct costs of sales	<b>315</b>	265
	Maintenance, rents and energy	<b>1 080</b>	1 044
	Other operating expenses	<b>97</b>	60
	<b>Total other operating expenses</b>	<b>2 850</b>	2 636

**e. Research and development costs** Costs for research and development activities amounted to CHF 225 million in the year under review, representing 2.7% of net sales (previous year: CHF 221 million or 2.8%).

<b>f. Net financial result</b>	(CHF million)	<b>2018</b>	2017
	Interest income	<b>14</b>	10
	Result from marketable securities at fair value	<b>- 4</b>	15
	Net currency result	<b>- 25</b>	- 37
	Other financial expense	<b>- 4</b>	- 4
	<b>Other financial income and expense</b>	<b>- 19</b>	- 16
	<b>Interest expense</b>	<b>- 5</b>	- 3
	<b>Share of result from associates and joint ventures</b>	<b>2</b>	21
	<b>Net financial result</b>	<b>- 22</b>	2

**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)	2018	2017
Current income taxes		- 266	- 273
Income tax of prior periods		- 5	4
Deferred taxes		5	17
<b>Total income taxes</b>		<b>- 266</b>	<b>- 252</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.

	2018	2017
	%	%
Group's average expected tax rate	22.3	20.4
Effect of:		
- Tax rate changes on deferred taxes	- 0.2	1.1
- Recognition and offset of tax loss carry-forwards not recognized in prior years	- 0.3	- 0.1
- Non-recognition of tax loss carry-forwards	1.0	4.1
- Non-taxable income	- 0.4	- 0.6
- Non-tax-deductible expenses	0.6	0.7
- Items taxable at reduced rates	- 0.1	0.0
- Income tax of prior periods	0.4	- 0.4
- Other items	0.2	- 0.2
<b>Group's effective tax rate</b>	<b>23.5</b>	<b>25.0</b>

The effective tax rate based on the ordinary result in the year under review was 23.5% (previous year: 25.1%).

c. Current income tax	(CHF million)	2018	2017
<b>Net current income tax liability</b>			
<b>Balance at 1 January</b>		<b>- 113</b>	<b>- 26</b>
Recognized in income statement		- 271	- 269
Recognized in equity		0	0
Income taxes paid		283	185
Translation differences		2	- 3
<b>Balance at 31 December</b>		<b>- 99</b>	<b>- 113</b>
thereof current income tax assets		23	22
thereof current income tax liabilities		- 122	- 135

#### d. Deferred tax

Deferred tax assets and liabilities are offset within legal entities when there is a legally enforceable right to offset current income tax assets against current income 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)	31.12.2018			31.12.2017		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	293	- 341	- 48	272	- 332	- 60
Trade and other receivables	2	- 15	- 13	2	- 15	- 13
Property, plant and equipment	16	- 135	- 119	15	- 142	- 127
Intangible assets	11	- 7	4	10	- 8	2
Provisions	15	- 49	- 34	18	- 45	- 27
Retirement benefit obligations	6	0	6	6	- 1	5
Accrued expenses	63	- 36	27	66	- 33	33
Tax losses	25	-	25	40	-	40
Other	15	- 4	11	12	- 5	7
<b>Total deferred tax assets (liabilities)</b>	<b>446</b>	<b>- 587</b>	<b>- 141</b>	<b>441</b>	<b>- 581</b>	<b>- 140</b>
Deferred tax assets			417			392
Deferred tax liabilities			- 558			- 532



## 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 2018
One year	4	–	4
Two years	11	–	11
Three years	11	–	11
Four years	25	1	26
Five years	24	24	48
Six years	112	16	128
More than six years	71	45	116
No expiry date	147	25	172
<b>Total at 31.12.2018</b>	<b>405</b>	<b>111</b>	<b>516</b>

(CHF million)	Not recognized	Recognized	Total 2017
One year	2	5	7
Two years	4	0	4
Three years	14	0	14
Four years	12	2	14
Five years	19	10	29
Six years	20	41	61
More than six years	162	101	263
No expiry date	161	20	181
<b>Total at 31.12.2017</b>	<b>394</b>	<b>179</b>	<b>573</b>

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 97 million in the year under review (previous year: CHF 95 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. Earnings per share

#### a. Basic

	2018	2017
Net income attributable to shareholders of The Swatch Group Ltd (CHF million)	845	733
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.1%	44.1%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	55.9%	55.9%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	373	323
Average number of shares outstanding	115 449 571	116 755 450
<b>Basic earnings per share (in CHF)</b>	<b>3.23</b>	<b>2.77</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	472	410
Average number of shares outstanding	29 268 442	29 567 412
<b>Basic earnings per share (in CHF)</b>	<b>16.14</b>	<b>13.86</b>

#### b. Diluted

	2018	2017
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	373	324
Average number of shares outstanding – basic (as above)	115 449 571	116 755 450
Potential number of shares from options outstanding	201 235	195 736
Average potential number of shares outstanding – diluted	115 650 805	116 951 186
<b>Diluted earnings per share (in CHF)</b>	<b>3.23</b>	<b>2.77</b>
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	472	409
Average potential number of shares outstanding	29 268 442	29 567 412
<b>Diluted earnings per share (in CHF)</b>	<b>16.13</b>	<b>13.85</b>

### 8. Dividends paid and proposed

On 24 May 2018, the Annual General Meeting approved the distribution of a dividend of CHF 1.50 per registered share and CHF 7.50 per bearer share. The distribution to shareholders in the year under review totaled CHF 394 million (previous year: CHF 357 million). The dividend is recognized in retained earnings in the year under review. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned Annual General Meeting, no dividends were paid on the treasury shares held by the Swatch Group. This amount would have totaled CHF 23 million.

At the Annual General Meeting on 23 May 2019, the payment of the following dividends for the year under review will be proposed:

		Registered	Bearer
Dividend per share	CHF	1.60	8.00
Total dividend	CHF million	198	247

The financial statements ending 31 December 2018 do not take into account this proposed dividend. Dividends will be treated as an appropriation of available earnings during the financial year 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. Cash and cash equivalents

(CHF million)	31.12.2018	31.12.2017
Current accounts and liquid assets	799	1 105
Short-term deposits with financial institutions	145	186
<b>Total cash and cash equivalents</b>	<b>944</b>	<b>1 291</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)	31.12.2018	31.12.2017
Cash and cash equivalents	944	1 291
Current account overdrafts (Note 20)	- 42	0
<b>Total funds net cash</b>	<b>902</b>	<b>1 291</b>

### 10. Marketable securities and derivative financial instruments

(CHF million)	31.12.2018	31.12.2017
Equity securities	57	96
Bond securities	224	224
Investment funds and other investments	10	12
<b>Total marketable securities at fair value</b>	<b>291</b>	<b>332</b>

<b>Derivative financial instruments</b>	<b>5</b>	<b>8</b>
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<b>Total marketable securities and derivative financial instruments</b>	<b>296</b>	<b>340</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	31.12.2018			31.12.2017		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
AUD	16	0	-	13	-	0
CAD	15	0	-	14	-	0
CNY	-	-	-	50	-	0
EUR	431	1	0	509	-	- 4
GBP	80	-	- 1	53	-	0
HKD	-	-	-	7	0	-
JPY	18	-	0	6	0	0
RUB	11	1	-	13	0	0
SGD	19	-	0	14	0	0
USD	1 063	3	0	1 171	8	-
Other currencies	25	0	0	26	0	- 1
<b>Total</b>	<b>1 678</b>	<b>5</b>	<b>- 1</b>	<b>1 876</b>	<b>8</b>	<b>- 5</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Trade receivables

(CHF million)	31.12.2018	31.12.2017
Trade receivables – gross	908	1 089
Allowance for impaired receivables	– 15	– 13
<b>Total trade receivables – net</b>	<b>893</b>	<b>1 076</b>

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

(CHF million)	2018	2017
<b>Balance at 1 January</b>	<b>– 13</b>	<b>– 11</b>
Translation differences	0	0
Utilization	2	1
Reversal	1	1
Creation	– 5	– 4
<b>Balance at 31 December</b>	<b>– 15</b>	<b>– 13</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)	31.12.2018	31.12.2017
CHF	169	160
AED	15	19
CNY	234	341
EUR	132	171
HKD	30	34
JPY	44	36
KRW	19	22
USD	91	104
Other currencies	159	189
<b>Total trade receivables – net</b>	<b>893</b>	<b>1 076</b>

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.

### 12. Other current assets

(CHF million)	31.12.2018	31.12.2017
VAT to be refunded	117	118
Other receivables	42	60
<b>Total other current assets</b>	<b>159</b>	<b>178</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Inventories

(CHF million)	31.12.2018	31.12.2017
Raw materials, auxiliary material and supplies	666	427
Goods in progress	534	527
Semi-finished goods	1 896	1 745
Finished goods	3 476	3 260
Spare parts for customer service	345	359
<b>Total inventories</b>	<b>6 917</b>	<b>6 318</b>

Inventories with risk of obsolescence have been adjusted to their net realizable value. In the year under review, the Group recognized write-downs of CHF 48 million (previous year: CHF 48 million). In addition, an amount of CHF 3 million was reversed (previous year: CHF 9 million). The net impact of these adjustments was a charge to the income statement of CHF 45 million (previous year: CHF 39 million).

### 14. Prepayments and accrued income

(CHF million)	31.12.2018	31.12.2017
Prepaid sales, marketing and administration costs	68	78
Income tax assets	23	22
Prepaid leasing costs	49	60
Other prepayments and accrued income	109	95
<b>Total prepayments and accrued income</b>	<b>249</b>	<b>255</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Property, plant and equipment

(CHF million)	Land, buildings and properties <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
<b>Historical cost, 31 December 2017</b>	<b>2 390</b>	<b>4 006</b>	<b>712</b>	<b>180</b>	<b>7 288</b>
Translation differences	0	-16	-13	0	-29
Additions	45	244	98	45	432
Disposals	-4	-128	-39	0	-171
Transfers	25	3	-1	-27	-
<b>Historical cost, 31 December 2018</b>	<b>2 456</b>	<b>4 109</b>	<b>757</b>	<b>198</b>	<b>7 520</b>
<b>Accumulated depreciation, 31 December 2017</b>	<b>- 806</b>	<b>- 2 790</b>	<b>- 411</b>	<b>-</b>	<b>- 4 007</b>
Translation differences	0	10	7	-	17
Annual depreciation	-70	-265	-103	-	-438
Impairment	0	-8	-5	-	-13
Depreciation on disposals	3	126	37	-	166
Transfers	0	-3	3	-	-
<b>Accumulated depreciation, 31 December 2018</b>	<b>- 873</b>	<b>- 2 930</b>	<b>- 472</b>	<b>-</b>	<b>- 4 275</b>
Net book values:					
<b>Balance at 31 December 2017</b>	<b>1 584</b>	<b>1 216</b>	<b>301</b>	<b>180</b>	<b>3 281</b>
<b>Balance at 31 December 2018</b>	<b>1 583</b>	<b>1 179</b>	<b>285</b>	<b>198</b>	<b>3 245</b>

<sup>1)</sup> The category land, buildings and properties includes investment properties with a carrying amount of CHF 435 million (previous year: CHF 443 million) and undeveloped properties with a carrying amount of CHF 27 million (previous year: CHF 27 million).

(CHF million)	Land, buildings and properties <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2016	2 230	3 873	623	210	6 936
Translation differences	9	18	8	-1	34
Additions	47	205	90	85	427
Disposals	-4	-78	-27	0	-109
Transfers	108	-12	18	-114	-
Historical cost, 31 December 2017	2 390	4 006	712	180	7 288
Accumulated depreciation, 31 December 2016	-735	-2 587	-338	-	-3 660
Translation differences	-2	-13	-5	-	-20
Annual depreciation	-67	-273	-93	-	-433
Impairment	-	0	-	-	0
Depreciation on disposals	3	76	27	-	106
Transfers	-5	7	-2	-	-
Accumulated depreciation, 31 December 2017	-806	-2 790	-411	-	-4 007
Net book values:					
Balance at 31 December 2016	1 495	1 286	285	210	3 276
Balance at 31 December 2017	1 584	1 216	301	180	3 281



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16. Intangible assets

	Capitalized development costs	Software	Other intangible assets	Total
(CHF million)				
<b>Historical cost, 31 December 2017</b>	<b>159</b>	<b>172</b>	<b>111</b>	<b>442</b>
Translation differences	0	-2	-3	-5
Additions	7	18	20	45
Disposals	-3	-2	-3	-8
Transfers	16	3	-19	-
<b>Historical cost, 31 December 2018</b>	<b>179</b>	<b>189</b>	<b>106</b>	<b>474</b>
<b>Accumulated amortization, 31 December 2017</b>	<b>-116</b>	<b>-133</b>	<b>-46</b>	<b>-295</b>
Translation differences	0	1	1	2
Annual amortization	-21	-18	-4	-43
Impairment	-	-	-	-
Amortization on disposals	3	2	3	8
Transfers	0	0	0	-
<b>Accumulated amortization, 31 December 2018</b>	<b>-134</b>	<b>-148</b>	<b>-46</b>	<b>-328</b>
Net book values:				
<b>Balance at 31 December 2017</b>	<b>43</b>	<b>39</b>	<b>65</b>	<b>147</b>
<b>Balance at 31 December 2018</b>	<b>45</b>	<b>41</b>	<b>60</b>	<b>146</b>

	Capitalized development costs	Software	Other intangible assets	Total
(CHF million)				
Historical cost, 31 December 2016	139	153	103	395
Translation differences	0	1	5	6
Additions	10	16	20	46
Disposals	-	-4	-1	-5
Transfers	10	6	-16	-
Historical cost, 31 December 2017	159	172	111	442
Accumulated amortization, 31 December 2016	-95	-118	-40	-253
Translation differences	0	-1	-2	-3
Annual amortization	-21	-18	-4	-43
Impairment	-	-	-	-
Amortization on disposals	-	4	0	4
Transfers	-	0	0	-
Accumulated amortization, 31 December 2017	-116	-133	-46	-295
Net book values:				
Balance at 31 December 2016	44	35	63	142
Balance at 31 December 2017	43	39	65	147

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. Investments in associates and joint ventures

(CHF million)	2018	2017
<b>Balance at 1 January</b>	<b>57</b>	59
Share of result from associates and joint ventures	2	21
Dividends received	0	-18
Investments	-	0
Translation differences	0	-5
<b>Balance at 31 December</b>	<b>59</b>	57

All associates and joint ventures are recognized using the equity method. They have been listed in Note 32. Despite having less than 20% of the voting power of Hengdeli Holdings, 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 the year under review and the previous year, there were no significant changes in investments in associates and joint ventures.

Sales to and purchases from associates and joint ventures amounted to CHF 46 million (previous year: CHF 481 million) and CHF 68 million (previous year: CHF 43 million) respectively.

At balance sheet date, associated companies and joint ventures had no contingent liabilities (previous year: none).

### 18. Business combinations

#### a. Acquisition of subsidiaries

There were no significant acquisitions in the year under review and the previous year.

#### b. Divestments of businesses

No companies were sold in the year under review and the previous year.

#### c. Changes in non-controlling interests

In the year under review, the Group acquired for CHF 2 million the remaining 50% of the shares in a Chinese retail company which it had already controlled and fully consolidated.

In December 2015, the remaining minority interest of 49% in the company ASICentrum spol.s.r.o. was acquired. The Swatch Group already had control over the company. The transaction was settled in three annual instalments of treasury shares in 2016, 2017 and 2018, valued at a total of CHF 2 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. Other non-current assets

(CHF million)	Prepaid marketing and leasing cost	Security deposits	Other financial assets	Total
<b>Balance at 31 December 2017</b>	<b>41</b>	<b>90</b>	<b>13</b>	<b>144</b>
Translation differences	-2	0	2	0
Additions	7	15	200	222
Disposals	0	-10	-7	-17
Balance sheet transfer	-14	1	0	-13
<b>Balance at 31 December 2018</b>	<b>32</b>	<b>96</b>	<b>208</b>	<b>336</b>

(CHF million)	Prepaid marketing and leasing cost	Security deposits	Other financial assets	Total
Balance at 31 December 2016	56	106	12	174
Translation differences	2	-2	0	0
Additions	8	11	3	22
Disposals	0	-10	-1	-11
Balance sheet transfer	-25	-15	-1	-41
Balance at 31 December 2017	41	90	13	144

Key money that the Group pays when renting stores in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain. The non-current portion of key money, together with the non-current prepaid marketing costs, is recognized under Other non-current assets. The current portion of both components is transferred to Prepayments and accrued income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. Financial debts and derivative financial instruments

(CHF million)	31.12.2018	31.12.2017
Current account overdrafts	42	0
Short-term bank debt	160	11
Derivative financial instruments	1	5
<b>Total current financial debts and derivative financial instruments</b>	<b>203</b>	<b>16</b>
<b>Total non-current financial debts</b>	<b>22</b>	<b>26</b>
<b>Total financial debts</b>	<b>225</b>	<b>42</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 December 2018</b>	<b>203</b>	<b>20</b>	<b>2</b>	<b>225</b>
At 31 December 2017	16	24	2	42

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

(CHF million)	31.12.2018	31.12.2017
CHF	43	5
JPY	25	28
USD	148	0
Other currencies	9	9
<b>Total</b>	<b>225</b>	<b>42</b>

At the end of the year under review, short term bank loans of USD 150 million or CHF 148 million at an average interest rate of 2.9% were open (previous year: none). The long-term financial debts at the end of the year under review included a mortgage of JPY 2 250 million or CHF 20 million (previous year: JPY 2 750 million or CHF 24 million) at a fixed interest rate of 2.4% with a term until March 2021 (without a termination clause). The Swatch Group had no listed debenture bonds or convertible bonds outstanding in the years under review.

### 21. Other liabilities

(CHF million)	31.12.2018	31.12.2017
Advance payments received	39	37
Income tax liabilities	9	15
VAT liabilities	71	52
Other tax liabilities	26	14
Social benefits liabilities	39	36
Other liabilities	38	55
<b>Total other liabilities</b>	<b>222</b>	<b>209</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. Accrued expenses

(CHF million)	31.12.2018	31.12.2017
Accrued salaries and social benefits	177	165
Accrued sales, marketing and administration costs	162	202
Accrued income taxes	113	120
Accrued sales reductions	73	78
Accrued leasing costs	175	158
Other accrued expenses	99	125
<b>Total accrued expenses</b>	<b>799</b>	<b>848</b>
thereof current	637	701
thereof non-current	162	147

### 23. Provisions

(CHF million)	Warranties	Litigation	Dismantling	Other	Total
<b>Balance at 31 December 2016</b>	<b>98</b>	<b>5</b>	<b>18</b>	<b>17</b>	<b>138</b>
Translation differences	1	0	0	1	2
Additional provisions	97	3	11	3	114
Reversal of provisions	-9	0	0	-2	-11
Provisions used during the year	-77	0	-2	-2	-81
<b>Balance at 31 December 2017</b>	<b>110</b>	<b>8</b>	<b>27</b>	<b>17</b>	<b>162</b>
thereof current provisions	74	3	5	11	93
thereof non-current provisions	36	5	22	6	69
Translation differences	-1	0	-1	-1	-3
Additional provisions	66	1	5	4	76
Reversal of provisions	-6	0	0	-2	-8
Provisions used during the year	-76	-1	-1	-2	-80
<b>Balance at 31 December 2018</b>	<b>93</b>	<b>8</b>	<b>30</b>	<b>16</b>	<b>147</b>
thereof current provisions	74	3	4	13	94
thereof non-current provisions	19	5	26	3	53

#### a. Warranty

Products that do not perform to customers' satisfaction are repaired or replaced by the Group under warranties of one or more years. 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 behavior and opinion that may cause a significant outflow of economic benefits.

#### c. Dismantling / restoration

Some Group companies have contractual or legal obligations to return objects to their original state at the end of the term of the contract. At the beginning of the contract term, dismantling and restoration costs are estimated on the basis of contractual elements and/or empirical values and provisions are recorded. These obligations arise primarily from contracts for rental premises.

#### d. 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 / Shares held by pension institutions

In the previous year, the Group had an employer contributions reserve in the Swiss pension fund of the Swatch Group, which amounted to CHF 5 million. This reserve was capitalized in Other non-current assets. In the year under review, the Group decided to waive its claim on this employer contributions reserve in full. The asset was written off in personnel expense and at the end of the year under review, there is no longer an employer contributions reserve.

Pension fund assets included 3 693 987 registered shares at the end of the year under review (previous year: 4 064 964 shares) and 11 165 bearer shares (previous year: 5 440 shares) of The Swatch Group Ltd.

#### Economic benefit / economic obligation and pension benefit expenses

2018

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact <sup>1)</sup>	income statement impact	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	383	–	–	–	8	8
Pension plans without surplus / deficit	–	–	–	–	–8	–8
Pension plans with surplus	0	–	–	–	–2	–2
Pension plans with deficit	–372	–2	1	0	–119	–119
Pension plans without own assets	–	–41	5	–6	–	–6
<b>Total</b>	<b>11</b>	<b>–43</b>	<b>6</b>	<b>–6</b>	<b>–121</b>	<b>–127</b>

<sup>1)</sup>The amounts without an income statement impact refer to exchange rate differences and disbursements.

2017

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact <sup>1)</sup>	income statement impact	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	404	–	–	–	–	–
Pension plans without surplus / deficit	–	–	–	–	–6	–6
Pension plans with surplus	–	–	–	–	–	–
Pension plans with deficit	–85	–3	0	0	–97	–97
Pension plans without own assets	–	–40	2	–6	–	–6
<b>Total</b>	<b>319</b>	<b>–43</b>	<b>2</b>	<b>–6</b>	<b>–103</b>	<b>–109</b>

#### Summary of pension benefit expenses

(CHF million)	2018			2017		
	Switzerland	Abroad	Total	Switzerland	Abroad	Total
Contributions to pension plans charged to Group companies	–102	–14	–116	–92	–11	–103
Contributions to pension plans paid from employer contributions reserve	–	–	–	–	–	–
<b>Total contributions</b>	<b>–102</b>	<b>–14</b>	<b>–116</b>	<b>–92</b>	<b>–11</b>	<b>–103</b>
Change of employer contributions reserve from evolution of fortune, impairments, discounting, etc.	–5	–	–5	0	–	0
<b>Contributions and change in employer contributions reserve</b>	<b>–107</b>	<b>–14</b>	<b>–121</b>	<b>–92</b>	<b>–11</b>	<b>–103</b>
Increase / decrease of Group's economic benefits from surpluses	–	–	–	–	–	–
Decrease / increase of economic obligations from deficits	–	–6	–6	–	–6	–6
<b>Total changes of economic effects from surpluses / deficits</b>	<b>–</b>	<b>–6</b>	<b>–6</b>	<b>–</b>	<b>–6</b>	<b>–6</b>
<b>Pension benefit expenses within personnel expenses of the period</b>	<b>–107</b>	<b>–20</b>	<b>–127</b>	<b>–92</b>	<b>–17</b>	<b>–109</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. Commitments and contingencies

#### a. Guarantees and sureties

At the end of the year under review, guarantees to third parties as security for commitments of Group companies amounted to CHF 37 million (previous year: CHF 40 million).

Total assets pledged by Group companies to guarantee their commitments amounted to CHF 132 million at the end of the year under review (previous year: CHF 137 million), of which CHF 25 million served to secure financial debts (previous year: CHF 28 million).

#### 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 (non-discounted):

(CHF million)	31.12.2018	31.12.2017
Less than 1 year	465	443
Between 1 and 5 years	1 284	1 238
Over 5 years	1 048	1 185
<b>Total</b>	<b>2 797</b>	<b>2 866</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 rental contracts existing at the end of the year under review. Leasing costs amounting to CHF 683 million were recognized in the income statement of the year under review, compared to CHF 697 million in the previous year. At the end of the year under review, other open long-term and irrevocable payment obligations entered into by the Group, which cannot be cancelled within 12 months, had a non-discounted value of CHF 749 million (previous year: CHF 885 million). They mainly relate to marketing and sponsoring commitments, as well as investments in tangible fixed assets.

#### 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.

## 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
31.12.2016	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2017	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2018</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 the end of the year under review, as well as at the end of the previous year, there was no authorized or conditional capital. All issued shares are fully paid. No benefit or participation 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 the result from the sale of treasury shares and transactions with non-controlling interests as well as effects of capital reductions in prior years.

#### c. Non-distributable reserves

At the end of the year under review, the reserves of the holding company, The Swatch Group Ltd, included a non-distributable amount of CHF 1 276 million (previous year: CHF 888 million). This amount consisted of CHF 1 251 million related to treasury shares held (previous year: CHF 863 million) and non-distributable legal reserves of CHF 25 million (previous year: CHF 25 million).

#### d. Treasury shares

In the context of the share buyback program 2016-2019, treasury shares with a market value of CHF 388 million were repurchased in the year under review. The total volume repurchased since the beginning of the program amounted to CHF 924 million. At year end, there were no disclosable repurchase obligations from this program.

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 December 2016</b>	<b>6 541 436</b>	<b>339</b>	<b>1 108 850</b>	<b>321</b>	<b>660</b>
Acquisitions <sup>1)</sup>	1 467 500	103	280 800	101	204
Disposals <sup>2)</sup>	- 242 521	- 1	-	-	- 1
<b>Balance at 31 December 2017</b>	<b>7 766 415</b>	<b>441</b>	<b>1 389 650</b>	<b>422</b>	<b>863</b>
Acquisitions <sup>1)</sup>	2 653 800	192	522 900	196	388
Disposals <sup>2)</sup>	- 218 618	0	-	-	0
<b>Balance at 31 December 2018</b>	<b>10 201 597</b>	<b>633</b>	<b>1 912 550</b>	<b>618</b>	<b>1 251</b>

<sup>1)</sup> In the year under review, the Group acquired 2 653 800 registered shares (previous year: 1 467 500) at an average price of CHF 72.22 (previous year: CHF 70.11). In addition, 522 900 bearer shares (previous year: 280 800) at an average price of CHF 376.02 (previous year: CHF 360.45) were acquired.

<sup>2)</sup> In the year under review, disposals of 209 870 registered shares relate to the employee stock option plan (previous year: 231 325 registered shares). Details of stock options issued in connection with the employee stock option plan are disclosed in Note 29 of the consolidated financial statements. In the year under review, in connection with the acquisition of the remaining minority interest in ASICentrum spol. s.r.o., 8 748 registered shares were granted to the former shareholders (previous year: 11 196 registered shares). Details of the transaction are disclosed in Note 18 of the consolidated financial statements.

In the year under review and the previous year, no bearer shares were sold.

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:

	2018			2017		
	Goodwill Group associated companies	Goodwill associated companies	Total	Goodwill Group associated companies	Goodwill associated companies	Total
(CHF million)						
<b>Historical cost 1 January</b>	<b>1 389</b>	<b>48</b>	<b>1 437</b>	1 389	48	1 437
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
<b>Historical cost 31 December</b>	<b>1 389</b>	<b>48</b>	<b>1 437</b>	1 389	48	1 437
<b>Theoretical accumulated amortization</b>						
<b>1 January</b>	<b>– 875</b>	<b>– 39</b>	<b>– 914</b>	– 764	– 36	– 800
Theoretical annual amortization	– 105	– 3	– 108	– 111	– 3	– 114
Theoretical impairment	–	–	–	–	–	–
Theoretical amortization on disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
<b>Theoretical accumulated amortization 31 December</b>	<b>– 980</b>	<b>– 42</b>	<b>– 1 022</b>	– 875	– 39	– 914
<b>Theoretical net book value 31 December</b>	<b>409</b>	<b>6</b>	<b>415</b>	514	9	523

Acquisitions 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)	2018	2017
Equity, per balance sheet	11 274	11 289
Theoretical capitalization of net book value of goodwill	415	523
<b>Theoretical equity including net book value of goodwill</b>	<b>11 689</b>	11 812

#### c. Theoretical impact on net income

(CHF million)	2018	2017
Net income, per income statement	867	755
Theoretical amortization of goodwill	– 108	– 114
<b>Theoretical net income after goodwill amortization</b>	<b>759</b>	641



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. Details to the consolidated statement of cash flows

a. Non-cash items	(CHF million)	Notes	2018	2017
<b>Reversal of non-cash items</b>				
	Share of result from associates and joint ventures	(17)	– 2	– 21
	Income taxes	(6a)	266	252
	Depreciation on property, plant and equipment	(15)	438	433
	Amortization on intangible assets	(16)	43	43
	Impairment		13	0
	Gains on sale of non-current assets		– 7	– 4
	Losses on sale of non-current assets		2	2
	Fair value gains on marketable securities		– 7	– 38
	Fair value losses on marketable securities		19	4
	Interest income	(5f)	– 14	– 10
	Interest expense	(5f)	5	3
	Expenses for equity-settled compensation plan	(29)	16	14
	Changes in provisions		– 16	11
	Changes in retirement benefit obligations		6	3
	<b>Total</b>		<b>762</b>	<b>692</b>

b. Changes in working capital	(CHF million)	2018	2017
<b>Changes in working capital and other items included in cash flow from operating activities</b>			
	Inventories	– 633	– 83
	Trade receivables	147	– 151
	Other receivables and accrued income	27	2
	Trade payables	57	15
	Other liabilities and accrued expenses	– 11	179
	Other items included in cash flow from operating activities	1	16
	<b>Total</b>	<b>– 412</b>	<b>– 22</b>

### 29. Employee stock option plan

Under the terms of the employee stock option plan, options to purchase registered shares are granted to managers and employees who distinguished themselves by a particularly 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. Options are conditional on the employee being employed by the company on the date of exercise. Options are not transferable and only exercisable by the employee. The exercised options can optionally be subject to a blocking period of either 5 or 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Registered shares from existing treasury stock have been specifically reserved for this plan. No new shares are issued for the employee stock option plan. Group equity increases from the time the options are granted over the corresponding period by the value of the employee services (net of tax). When the options are exercised, Group equity increases further by the corresponding exercise price.

The number of registered shares in the employee stock option plan portfolio changed as follows:

	2018	2017
	Shares	Shares
Balance at 1 January	449 319	680 644
Transfer from treasury shares	2 715 000	0
Exercised shares	– 209 870	– 231 325
<b>Balance at 31 December</b>	<b>2 954 449</b>	<b>449 319</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All options have an exercise price of CHF 4.00. The number of outstanding share options changed as follows:

	2018	2017
	<b>Options</b>	Options
Options outstanding at 1 January	<b>207 287</b>	230 671
Granted	<b>215 296</b>	208 930
Forfeited or lapsed	<b>- 386</b>	- 989
Exercised	<b>- 209 870</b>	- 231 325
<b>Options outstanding at 31 December</b>	<b>212 327</b>	207 287

Share options outstanding at the end of the year have the following expiry date:

Expiry date	31.12.2018	31.12.2017
2018		137 609
2019	<b>140 519</b>	69 678
2020	<b>71 808</b>	
<b>Total</b>	<b>212 327</b>	207 287

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 the year under review and in the previous year was based:

	2018		2017	
	Portion	Portion	Portion	Portion
	exercisable in 1 year	exercisable in 2 years	exercisable in 1 year	exercisable in 2 years
Grant date	<b>31 May 2018</b>	<b>31 May 2018</b>	31 May 2017	31 May 2017
Expiration date	<b>31 May 2019</b>	<b>31 May 2020</b>	31 May 2018	31 May 2019
Closing share price on grant date	<b>CHF 87.55</b>	<b>CHF 87.55</b>	CHF 73.90	CHF 73.90
Exercise price	<b>CHF 4.00</b>	<b>CHF 4.00</b>	CHF 4.00	CHF 4.00
Market value of option at grant date	<b>CHF 83.55</b>	<b>CHF 83.55</b>	CHF 69.90	CHF 69.90

The first portion was immediately exercisable and was subject to the exercise conditions listed above.

The personnel expense recorded in the income statement of the year under review amounted to CHF 16 million (previous year: CHF 14 million).

### 30. Related party transactions

#### a. Principal shareholders

At the end of the year under review, the Hayek Pool and its related companies, institutions and individuals held 61 662 277 registered shares and 11 715 bearer shares, equivalent to 39.8% of all voting rights (previous year: 40.0%) of The Swatch Group Ltd, which is the parent company of the Group.

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 39.3% of all voting rights (previous year: 39.6%).

In the year under review, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 8.3 million to the Swatch Group (previous year: CHF 8.8 million). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2018	2017
Audit, feasibility studies and process optimization	<b>2.1</b>	1.8
Executive functions	<b>1.0</b>	1.0
Project management in the construction sector	<b>2.8</b>	3.6
Support for projects in the materials and surface treatment technology sector	<b>0.7</b>	0.8
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	<b>0.4</b>	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	<b>1.3</b>	1.2
<b>Total</b>	<b>8.3</b>	8.8

## 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, other social benefits and share-based compensation, was as follows:

(CHF million)	2018	2017
Short-term employee benefits	24.7	24.8
– of which in salaries	8.0	8.1
– of which in bonus	16.2	16.1
– of which in expense allowances	0.5	0.5
– of which in other benefits	0.0	0.1
Share-based compensation	12.8	10.1
Contributions to pension plans	1.2	0.6
Other social benefits	4.0	3.2
<b>Total</b>	<b>42.7</b>	<b>38.7</b>

Long-term service awards are now recognized under “other benefits” and no longer under “salaries”, as they are non-recurring. Prior-year figures were restated accordingly. In the year under review, no termination benefits were paid to members of the Board of Directors, the Management Board or the Extended Management Board (previous year: none). The employment contracts of members of management bodies do not provide for this type of benefit. In the year under review, no payments were made to former members of the Group’s governing bodies for their past functions (previous year: CHF 0.9 million).

### c. Share ownership

At the end of the year under review, 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 56 815 240 registered shares and 590 bearer shares, representing 36.7% of all voting rights (previous year: 36.6%).

In addition, at the end of the year under review, all the non-executive members of the Board of Directors as well as the persons close to them held 100 registered shares and 2 010 bearer shares, representing 0.0% of all voting rights (previous year: 0.0%).

### 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. 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 the year under review and the previous year, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. Also, in the year under review and the previous year, no such loans were outstanding.

### e. Associated companies and other related parties

The Group has transactions with associates, joint ventures and other related parties. A listing of the associated companies and joint ventures is included in the list of the Swatch Group companies (Note 32).

(CHF million)	2018		2017	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	68	46	43	481
Other related parties	0	0	0	0

At the end of the year under review, receivables from associates amounted to CHF 4 million (previous year: CHF 9 million), and payables to associates were CHF 4 million (previous year: CHF 2 million). At the end of the year under review, the Group held no guarantees from associated companies (previous year: none). At the end of the year under review, loans granted by the Group to associated companies amounted to CHF 9 million at an interest rate of 4.5% (previous year: CHF 4 million at 4.0%).

At the end of the year under review and the previous year, there were no balances outstanding with other related parties.

## 31. Events after the balance sheet date

There were no significant events after the balance sheet date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2018

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Europe</b>					
<b>Switzerland</b>					
The Swatch Group AG, Neuchâtel	Holding	CHF 125.21			
Assemti SA, Locarno	Assembly	CHF 0.10	100	●	▼
Belenos Clean Power Engineering SA, Bienne	Research and development	CHF 0.25	60	●	▼
Belenos Clean Power Holding SA, Bienne	Holding	CHF 63.00	51	●	▼
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	●	▼
CHH Microtechnique SA, Le Chenit	Watch components	CHF 0.10	100	●	▼
cK Watch & Jewelry Co., Ltd., Bienne	Watches	CHF 5.00	90	●	▼
Comadur SA, Le Locle	Products in hard materials	CHF 7.86	100	●	▼
Compagnie des Montres Longines, Francillon SA, Saint-Imier	Watches	CHF 10.00	100	●	▼
Danyack SA, La Chaux-de-Fonds	Real estate	CHF 0.06	29	○	▼
Dernier Batz SA, Neuchâtel	Real estate	CHF 10.00	100	●	▼
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100	●	▼
Distisco SA, Bienne	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	●	▼
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	●	▼
Manufacture Ruedin SA, Haute-Sorne	Watch cases	CHF 2.40	100	●	▼
Meco SA, Grenchen	Watch crowns	CHF 4.50	100	●	▼
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF 4.00	100	●	▼
Mido AG, Le Locle	Watches	CHF 1.20	100	●	▼
MOM le Prélet SA, 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 SA, Bienne	Watches	CHF 50.00	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	●	▼
René Clémence SA, La Chaux-de-Fonds	Watch-glasses	CHF 0.06	100	●	▼
Rubattel et Weyermann SA, La Chaux-de-Fonds	Watch dials	CHF 0.15	100	●	▼
Simon et Membrez SA, Delémont	Watch cases	CHF 0.10	100	●	▼
S.I. Les Corbes SA, Val-de-Ruz	Real estate	CHF 0.10	34	○	▼
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	●	▼
Terriboîtes SA, Basse-Allaine	Watch case polishing	CHF 0.10	60	●	▼
The Swatch Group Assembly SA, Mendrisio	Assembly	CHF 6.00	100	●	▼
The Swatch Group Europa AG, Bienne	Distribution	CHF 29.65	100	●	▼
The Swatch Group Export SA, Neuchâtel	Distribution	CHF 1.00	100	●	▼
The Swatch Group Far East Distribution Ltd, Bienne	Distribution	CHF 0.10	100	●	▼
The Swatch Group Immeubles SA, Neuchâtel	Real estate project & property management	CHF 0.50	80	●	▼
The Swatch Group Lab AG, Zürich	Services	CHF 0.60	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	●	▼

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2018

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Belgium</b>					
The Swatch Group (Belgium) SA, Anderlecht	Distribution	EUR 1.75	100	●	◀
Retail Services Belgium SA, Bruxelles	Services	EUR 2.09	100	●	◀
<b>Germany</b>					
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 (Deutschland) GmbH, Eschborn	Distribution	EUR 1.28	100	●	◀
Union Uhrenfabrik GmbH, Glashütte	Watches	EUR 0.10	100	●	◀
<b>France</b>					
Breguet SAS, Paris	Administration	EUR 0.04	100	●	◀
Fabrique de Fournitures de Bonnétage SAS, Villers-le-Lac	Precision parts	EUR 4.56	100	●	◀
Frésard Composants SAS, Charquemont	Precision parts	EUR 1.80	100	●	◀
Centre Européen de Service Horloger SAS, Besançon	Customer service	EUR 0.70	100	●	◀
Harry Winston SAS, Paris	Retail	EUR 10.09	100	●	◀
Hour Passion SAS, Paris	Retail	EUR 10.00	100	●	◀
The Swatch Group (France) SAS, Paris	Distribution	EUR 15.00	100	●	◀
<b>Greece</b>					
The Swatch Group (Greece) SA, Athens	Distribution	EUR 0.36	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	●	◀
<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 1.80	100	●	▼
<b>Monaco</b>					
The Swatch Group (Monaco) Les Boutiques SAM	Distribution	EUR 2.00	100	●	◀
<b>Netherlands</b>					
The Swatch Group (Netherlands) BV, Eindhoven	Distribution	EUR 3.45	100	●	◀
<b>Austria</b>					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution	EUR 0.04	100	●	◀
<b>Poland</b>					
The Swatch Group (Polska) Sp.zo.o., Warszawa	Distribution	PLN 10.00	100	●	◀
<b>Russia</b>					
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 8 544.12	100	●	◀
<b>Sweden</b>					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	◀
<b>Spain</b>					
The Swatch Group (España) SA, Alcobendas	Distribution	EUR 0.45	100	●	◀
<b>Czech Republic</b>					
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK 0.30	100	●	▶
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 251.00	100	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2018

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	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 78.96	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 Qi Heng Trading Co., Ltd., Shanghai	Retail	CNY 30.00	100	●	◀
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	●	◀
<b>India</b>					
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 5 280.00	100	●	◀
Swatch Group (India) Retail Private Ltd, New Delhi	Retail	INR 180.10	100	●	◀
<b>Indonesia</b>					
PT Swatch Group Indonesia, Jakarta	Distribution	IDR 189 295.90	100	●	◀
<b>Japan</b>					
Harry Winston Japan KK, Tokyo	Retail	JPY 10.00	100	●	◀
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY 100.00	100	●	◀
<b>Qatar</b>					
Hour Choice W.L.L., Doha	Retail	QAR 0.20	29	●	◀
Rivoli Watches W.L.L., Doha	Retail	QAR 0.40	29	●	◀
Rivoli Enterprises W.L.L., Doha	Retail	QAR 0.20	29	●	◀
<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>Oman</b>					
Rivoli & Co. L.L.C., Muscat	Retail	OMR 0.30	58	●	◀
<b>Saudi Arabia</b>					
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33	○	◀
<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	●	◀
<b>South Korea</b>					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 6 300.00	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 600.00	100	●	◀
<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	●	◀
Hour Choice L.L.C., Dubai	Retail	AED 3.00	58	●	◀
Marcolin Middle East FZCO	Distribution	AED 0.10	29	○	◀
New Horizons General Trading L.L.C., Dubai	Retail	AED 0.30	29	○	◀
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 Textiles L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Swatch Group Retail Middle East L.L.C., Dubai	Retail	AED 0.30	100	●	◀
Vision 2000 L.L.C., Dubai	Retail	AED 1.00	58	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2018

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 82.50	100	●	◀
SGB Serviços e Comércio de Peças Ltda, São Paulo	Customer service	BRL 45.26	100	●	◀
<b>Canada</b>					
H.W. Protection Inc., Toronto	Services	CAD 1.94	100	●	◀
The Swatch Group (Canada) Ltd, Toronto	Distribution	CAD 4.50	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 200.00	100	●	◀
<b>Panama</b>					
The Swatch Group Panama SA, Panama City	Administration	USD 0.01	100	●	◀
<b>United States</b>					
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD 0.04	100	●	▶
Harry Winston, Inc., New York	High jewelry	USD 0.60	100	●	◀
HW Holdings Inc., Wilmington, Delaware	Holding	USD 0.00	100	●	◀
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution	USD 1.01	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, Edenvale	Distribution	ZAR 125.00	100	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of The Swatch Group Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 173 to 211) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview

Overall Group materiality: CHF 50 000 000



We concluded full scope audit work at 114 Group companies in 31 countries. The audit scope of these 114 Group companies addressed more than 95% of the Group's total assets, net sales and net income.

As key audit matter, the following area of focus has been identified:

- Valuation of inventories

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality for the audit of the consolidated financial statements</b>	CHF 50 000 000
<b>How we determined it</b>	5% of profit before income taxes
<b>Rationale for the materiality benchmark applied</b>	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, profit before income taxes is a generally accepted benchmark for considerations of materiality. We chose 5% of profit before income taxes to determine materiality as this is a commonly used benchmark in practice.

We agreed with the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 2 500 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks in making operational decisions and for its financial reporting.

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

### Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The main subsidiaries of the Group are audited by PwC exclusively and we remain in constant contact with the audit teams that perform the work. As the auditor of the consolidated financial statements, we ensure that we visit the local management and the local auditor of the most significant Group companies every three years according to a rotation plan. During these site visits, we discuss the risks of a material misstatement in the local entity's financial statements as well as the focus points of the audit and the audit scope. During the audit of the 2018 consolidated financial statements, we participated in the audit closing meetings of four of the main Group companies in Switzerland and made site visits to discuss the audit with the local auditors and the management of the main Group companies in the USA, South Korea and Japan.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of inventories

##### Key audit matter

We consider the valuation of inventories to be a key audit matter because they amounted to CHF 6 917 million on the balance sheet as at 31 December 2018 and they represent a significant share of total assets (about 51%).

Sales of watches and jewellery are subject to market fluctuations. These fluctuations along with the complex structure of inventories – raw materials, components, finished goods and spare parts – mean that there is significant scope for judgement in testing inventories for impairment and recoverability. In performing these tests, the different raw materials used and the durability of the value of each brand's products have to be considered in the light of the differing product life cycles.

*Please refer to page 179 (Summary of significant accounting policies) and page 194 (Notes to the consolidated financial statements, Note 13 Inventories) in the 2018 Annual Report.*

##### How our audit addressed the key audit matter

We performed the following audit procedures to assess the appropriateness of the valuation of the inventories:

- By reference to historical and expected inventory usage figures, we assessed at subsidiary level the process for identifying slow-moving inventories (raw materials, semi-finished goods and spare parts for customer service) and the appropriateness of the resulting write-downs.
- For finished goods subject to market risk, we tested at subsidiary level and at Group level Management's valuation estimates based on the lower of acquisition or manufacturing cost and net realisable value as well as the recoverability of the book value of finished goods. In doing so, we considered not only sales figures but also the marketability of the watch and jewellery collections.
- Further, at Group level, we checked the process to eliminate unrealised gains and losses from transactions between Group companies. In doing so, we checked that the valuation of the inventories on the consolidated financial statements did not include material unrealised gains.

In performing these audit procedures, we addressed the risk of error in the valuation of inventories. We have no findings to report.

### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



## **REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL**

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING  
OF THE SWATCH GROUP LTD, NEUCHÂTEL**

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin  
Audit expert  
Auditor in charge



Tobias Handschin  
Audit expert

Basel, 27 February 2019

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## INCOME STATEMENT OF THE SWATCH GROUP LTD

	Notes	2018 CHF million	2017 CHF million
Income from investments in subsidiaries	(1)	1 064	903
Other income	(2)	6	5
Personnel expense		- 46	- 47
Other expenses		- 19	- 14
Depreciation and impairment	(3)	- 19	- 10
Financial expenses	(4)	- 43	- 50
Financial income	(5)	57	54
<b>Ordinary result</b>		<b>1 000</b>	<b>841</b>
Non-operating result	(6)	0	0
Extraordinary result	(6)	0	0
<b>Profit before income taxes</b>		<b>1 000</b>	<b>841</b>
Income taxes		- 5	- 1
<b>Net income</b>		<b>995</b>	<b>840</b>

**BALANCE SHEET OF THE SWATCH GROUP LTD**

<b>Assets</b>	Notes	<b>31.12.2018</b>		31.12.2017	
		<b>CHF million</b>	<b>%</b>	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents		<b>25</b>	<b>0.3</b>	136	1.9
Assets with an observable market price	(7, 10)	<b>81</b>	<b>1.1</b>	121	1.6
Other current receivables					
– from Group companies	(8)	<b>3 667</b>	<b>47.2</b>	3 145	42.8
– from third parties		<b>33</b>	<b>0.4</b>	41	0.6
Prepayments and accrued income		<b>3</b>	<b>0.0</b>	2	0.0
<b>Total current assets</b>		<b>3 809</b>	<b>49.0</b>	3 445	46.9
<b>Non-current assets</b>					
Loans to Group companies	(8)	<b>422</b>	<b>5.4</b>	415	5.7
Investments in subsidiaries and associates	(9)	<b>3 530</b>	<b>45.5</b>	3 475	47.3
Property, plant and equipment		<b>7</b>	<b>0.1</b>	7	0.1
Intangible assets		<b>0</b>	<b>-</b>	1	0.0
<b>Total non-current assets</b>		<b>3 959</b>	<b>51.0</b>	3 898	53.1
<b>Total assets</b>		<b>7 768</b>	<b>100.00</b>	7 343	100.0

## BALANCE SHEET OF THE SWATCH GROUP LTD

Equity and liabilities	Notes	31.12.2018		31.12.2017	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(10)	195	2.5	6	0.1
Other current liabilities					
– to Group companies		127	1.6	122	1.7
– to third parties		15	0.2	9	0.1
Accrued expenses		15	0.2	16	0.2
<b>Non-current liabilities</b>					
Non-current provisions		90	1.2	90	1.2
<b>Total liabilities</b>		<b>442</b>	<b>5.7</b>	<b>243</b>	<b>3.3</b>
<b>Equity</b>					
Share capital		125	1.6	125	1.7
Statutory capital reserve		136	1.8	122	1.7
Statutory reserve		10	0.1	10	0.1
Reserve for treasury shares		0	-	1	0.0
Voluntary reserve		7 263	93.5	6 813	92.8
– Profit brought forward		48		52	
– Net income for the year		995		840	
Available earnings		1 043	13.4	892	12.2
Treasury shares		- 1 251	- 16.1	- 863	- 11.8
<b>Total equity</b>	(11)	<b>7 326</b>	<b>94.3</b>	<b>7 100</b>	<b>96.7</b>
<b>Total equity and liabilities</b>		<b>7 768</b>	<b>100.0</b>	<b>7 343</b>	<b>100.0</b>



## NOTES TO THE FINANCIAL STATEMENTS

### General

The financial statements of The Swatch Group Ltd, with registered office in Neuchâtel, comply with the requirements of the Swiss Code of Obligations (OR). The financial statements for the year under review were prepared in accordance with Swiss Accounting Legislation (thirty-second title of the Swiss Code of Obligations).

### Valuation principles

- a. Assets** Assets are valued at no more than their acquisition cost. Exceptions are current assets with an observable market price, which are valued at the stock price or market value on the balance sheet date. All changes in value are recognized in the income statement. No value fluctuation reserves are built.
- b. Investments** Investments in subsidiaries and associates are valued individually provided that they are significant and that due to their similarity are not usually combined as a group for valuation.
- c. Treasury shares** Treasury shares reserved for the employee stock option plan, as well as repurchased treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares, including transaction costs, are recorded directly in capital reserves.
- d. Liabilities** Liabilities are valued at nominal value.
- e. Foreign currency translation** 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>2018</b>	2017
	Dividends	<b>1 004</b>	848
	Other income from investments in subsidiaries	<b>60</b>	55
	<b>Total</b>	<b>1 064</b>	903
	This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies.		
<b>2. Other income</b>	In the year under review, other income was CHF 6 million (previous year: CHF 5 million).		
<b>3. Depreciation and impairment</b>	Depreciation and impairment was CHF 19 million (previous year: CHF 10 million).		
<b>4. Financial expenses</b>	(CHF million)	<b>2018</b>	2017
	Interest expense	<b>- 4</b>	- 2
	Result from marketable securities at fair value	<b>- 12</b>	- 2
	Net currency result	<b>- 25</b>	- 45
	Other financial expense	<b>- 2</b>	- 1
	<b>Total</b>	<b>- 43</b>	- 50
<b>5. Financial income</b>	(CHF million)	<b>2018</b>	2017
	Interest income	<b>48</b>	35
	Income and gains on securities	<b>9</b>	19
	<b>Total</b>	<b>57</b>	54

## NOTES TO THE FINANCIAL STATEMENTS

**6. Non-operating / extraordinary result** The non-operating result was less than CHF 1 million in the year under review (previous year: less than CHF 1 million). The extraordinary result was a loss of less than CHF 1 million in the year under review (previous year: loss of less than CHF 1 million).

<b>7. Assets with an observable market price</b>	<b>(CHF million)</b>		<b>31.12.2018</b>	31.12.2017
	Marketable securities			<b>66</b>
Precious metals			<b>8</b>	13
Derivative financial instruments (see Note 10)			<b>7</b>	8
<b>Total</b>			<b>81</b>	121

**8. Receivables and loans** These positions mainly include deposits of surplus cash with the Group-internal finance company in Luxembourg as well as financing of subsidiaries.

**9. Investments in subsidiaries and associates** The list of 157 legal entities, including minority investments, held directly or indirectly by The Swatch Group Ltd and consolidated at Swatch Group level, is published in Note 32 of the consolidated financial statements in this report. Investments in subsidiaries amounted to CHF 3 530 million or 45.5% of total assets at the end of the year under review (previous year: CHF 3 475 million or 47.3% of total assets).

**10. Financial debts and derivative financial instruments** At the end of the year under review, short term bank loans and current account overdrafts of CHF 191 million were open (previous year: none).

The contract and fair values of derivative financial instruments at the end of the year under review and previous year are as follows:

<b>Type</b>	<b>Contract value</b>			<b>Positive fair value</b>			<b>Negative fair value</b>		
	<b>Third party</b>	<b>Group</b>	<b>Total</b>	<b>Third party</b>	<b>Group</b>	<b>Total</b>	<b>Third party</b>	<b>Group</b>	<b>Total</b>
(CHF million)									
Forward contracts	1 672	403	2 075	5	2	7	-1	-3	-4
Options	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2018</b>	<b>1 672</b>	<b>403</b>	<b>2 075</b>	<b>5</b>	<b>2</b>	<b>7</b>	<b>-1</b>	<b>-3</b>	<b>-4</b>

<b>Type</b>	<b>Contract value</b>			<b>Positive fair value</b>			<b>Negative fair value</b>		
	<b>Third party</b>	<b>Group</b>	<b>Total</b>	<b>Third party</b>	<b>Group</b>	<b>Total</b>	<b>Third party</b>	<b>Group</b>	<b>Total</b>
(CHF million)									
Forward contracts	1 818	271	2 089	7	1	8	-5	-1	-6
Options	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2017</b>	<b>1 818</b>	<b>271</b>	<b>2 089</b>	<b>7</b>	<b>1</b>	<b>8</b>	<b>-5</b>	<b>-1</b>	<b>-6</b>

Derivative financial instruments are recognized at fair value. Positions outstanding at the end of the year under review serve to hedge operations relating to exchange rate risk and market volatility. The 31 open positions (previous year: 33) relate to precious metals and foreign currency contracts. Intragroup contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intragroup financial transactions. At the end of the year under review, there was no option contract outstanding (none in the previous year).

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Equity

Compared to the end of the previous year, equity increased by CHF 226 million to CHF 7 326 million in the year under review. At the end of the year under review, the equity ratio amounted to 94.3% of total assets (previous year: 96.7%).

The table below shows the changes in equity:

	Share capital	Statutory capital reserve	Statutory reserve	Reserve for treasury shares	Voluntary reserve	Available earnings	Treasury shares	Total equity
(CHF million)								
<b>Balance at 31.12.2016</b>	<b>125</b>	<b>109</b>	<b>10</b>	<b>1</b>	<b>6 193</b>	<b>1 029</b>	<b>- 659</b>	<b>6 808</b>
Allocated in 2017					620	- 620		-
Dividend paid out						- 357		- 357
Change in treasury shares		13					- 204	- 191
Creation / dissolution								-
Net income for the year						840		840
<b>Balance at 31.12.2017</b>	<b>125</b>	<b>122</b>	<b>10</b>	<b>1</b>	<b>6 813</b>	<b>892</b>	<b>- 863</b>	<b>7 100</b>
Allocated in 2018					450	- 450		-
Dividend paid out						- 394		- 394
Change in treasury shares		14					- 388	- 374
Creation / dissolution				- 1				- 1
Net income for the year						995		995
<b>Balance at 31.12.2018</b>	<b>125</b>	<b>136</b>	<b>10</b>	<b>0</b>	<b>7 263</b>	<b>1 043</b>	<b>- 1 251</b>	<b>7 326</b>

#### Share capital

At the end of the year under review, 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
31.12.2017	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2018</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>



## NOTES TO THE FINANCIAL STATEMENTS

### Principal shareholders at 31 December 2018

At the end of the year under review, the Hayek Pool, its related companies, institutions and individuals held 61 662 277 registered shares and 11 715 bearer shares, equivalent to 39.8% of all voting rights (previous year: 40.0%). 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 Walder Wyss AG, Bern	Descendants U. Ammann-Schellenberg sen.
Swatch Group Pension Fund	Neuchâtel	–

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name / Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	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 Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ébauches 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 39.3% of all voting rights at end of the year under review (previous year: 39.6%).

At the end of the year under review, the Swatch Group had no knowledge of any other group or individual shareholder controlling more than 5% of all voting rights.

### Statutory capital reserve

Gains and losses from the sale of treasury shares, including transaction costs, are recorded directly in the statutory capital reserve. In addition, the statutory capital reserve includes the historical proceeds from the issuance of participation certificates in excess of nominal value and issuance costs (premium).

### Voluntary reserve

In the year under review, an amount of CHF 450 million was appropriated from available earnings at 31 December 2017 (previous year: CHF 620 million).

### Reserve for treasury shares

At the end of the year under review, there was no longer a reserve for treasury shares. No shares of The Swatch Group Ltd were held by Group subsidiaries (previous year: CHF 1 million).

### Available earnings

In compliance with the resolution approved at the Annual General Meeting of 24 May 2018, a dividend of CHF 1.50 per registered share and of CHF 7.50 per bearer share was appropriated from available earnings as at 31 December 2017. The total dividend amount paid to shareholders in the year under review came to CHF 186 million on the registered shares and CHF 231 million on the bearer shares. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned Annual General Meeting, no dividends were paid on the treasury shares held by the Swatch Group. This amount, which would have totaled CHF 23 million, thus remains as an integral part of equity at the end of the year under review. Finally, CHF 450 million was appropriated from available earnings at 31 December 2017 and allocated to the voluntary reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### Treasury shares / Share buyback program

In the context of the share buyback program 2016-2019, treasury shares with a market value of CHF 388 million were repurchased in the year under review. The total volume repurchased since the beginning of the program amounted to CHF 924 million.

Treasury shares held by The Swatch Group Ltd and its subsidiaries at the end of the year under review corresponded to 7.1% (versus 5.3% at the end of the previous year) of the nominal value of total share capital. In addition to repurchased treasury shares, this position also includes registered treasury shares intended for the employee stock option plan.

The number of treasury shares held directly or indirectly by the Swatch Group Ltd changed as follows:

Shares held by:	Registered shares		Bearer shares	
	Quantity <sup>1)</sup>		Quantity	
	2018	2017	2018	2017
<b>The Swatch Group Ltd</b>				
Balance at 1 January	7 755 219	6 519 044	1 389 650	1 108 850
Acquisitions <sup>2)</sup>	2 656 248	1 467 500	522 900	280 800
Disposals <sup>3)</sup>	- 209 870	- 231 325	-	-
<b>Balance at 31 December</b>	<b>10 201 597</b>	<b>7 755 219</b>	<b>1 912 550</b>	<b>1 389 650</b>
<b>Other consolidated companies</b>				
Balance at 1 January	11 196	22 392	-	-
Acquisitions	-	-	-	-
Disposals <sup>4)</sup>	- 11 196	- 11 196	-	-
<b>Balance at 31 December</b>	<b>0</b>	<b>11 196</b>	<b>0</b>	<b>0</b>
<b>Total balance at 31 December</b>	<b>10 201 597</b>	<b>7 766 415</b>	<b>1 912 550</b>	<b>1 389 650</b>

<sup>1)</sup> Of which, at the end of the year under review, a total of 2 954 449 registered shares were reserved for the employee stock option plan (previous year: 449 319 registered shares)

<sup>2)</sup> In the year under review, The Swatch Group Ltd acquired 2 656 248 registered shares at an average price of CHF 72.23. In addition, 522 900 bearer shares at an average price of CHF 376.02 were acquired. In the previous year, The Swatch Group Ltd acquired 1 467 500 registered shares at an average price of CHF 70.11. In addition, 280 800 bearer shares at an average price of CHF 360.45 were acquired.

<sup>3)</sup> All disposals of registered shares in the year under review and the previous year relate to the employee stock option plan (see Note 29 of the consolidated financial statements for details). In the year under review and the previous year, no bearer shares were sold.

<sup>4)</sup> In the year under review, in connection with the acquisition of the remaining minority interest in ASICentrum spol. s r.o., 8 748 registered shares were granted to the former shareholders (previous year: 11 196 registered shares). Details of the transaction are disclosed in Note 18 of the consolidated financial statements. The remaining 2 448 registered shares were sold to The Swatch Group Ltd.

## Off-balance-sheet items

### Number of full-time equivalents

In the year under review, the annual average number of full-time equivalents was 143 (previous year: 147).

### Leasing liabilities

The balance of liabilities arising from buy or purchase-like contracts and other leasing commitments which do not expire or cannot be cancelled within 12 months amounted to less than CHF 1 million at the end of the year under review and previous year.

### Liabilities to pension plans

The balance sheet at the end of the year under review contained no liabilities to pension plans (previous year: none).

### Assets pledged

None of the company's assets are pledged.

### Guarantees

At the end of the year under review and of the previous year, guarantees provided by The Swatch Group Ltd amounted to less than CHF 1 million. As in the previous year, this item relates to a guarantee to cover a lease commitment taken out by another Group company.

### Contingent liabilities

At the end of the year under review, unchanged from the previous year, there were no contingent liabilities except the joint and several responsibility in favor of other Group companies in connection with the group taxation of value added tax.

## NOTES TO THE FINANCIAL STATEMENTS

### Swatch Group shares and options of the Board of Directors, Group Management and employees

Article 959c paragraph 2 item 11 of the Swiss Code of Obligations requires disclosure of the number and value of shares and options granted to members of the Board of Directors and Group Management as well as to employees. Details of the entire plan are disclosed in Note 29 of the consolidated financial statements. Allocations to the Board of Directors and the Management Board are disclosed in the separate compensation report, in which all management remuneration information is disclosed as well.

In the year under review, 6 105 registered shares and options valued at CHF 0.5 million (previous year: 5 980 registered shares and options valued at CHF 0.4 million) were allocated to other employees of The Swatch Group Ltd.

In addition, Article 663c paragraph 3 of the Swiss Code of Obligations requires disclosure of shares and options held by members of the Board of Directors and Group Management, including closely related persons. The table below shows the corresponding holdings at the end of the year under review and of the previous year.

Name	Function	Registered Shares (number)		Bearer Shares (number)		Options (number)	
		2018	2017	2018	2017	2018	2017
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	168 208	148 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member	100	100				
Dr. Jean-Pierre Roth	BoD Member			10	10		
Daniela Aeschlimann	BoD Member						
Georges Nicolas Hayek	BoD Member / CEO	129 891	111 991			24 000	24 000
Pierre-André Bühler	MB Member	30 966	30 466			8 002	8 002
Dr. Mougahed Darwish	MB Member	82 468	78 868			2 602	2 602
Marc A. Hayek	MB Member	143 398	130 898			12 502	12 502
Dr. Thierry Kenel	MB Member / CFO	70 919	62 252			9 335	8 002
Florence Ollivier-Lamarque	MB Member	59 500	56 000			12 000	12 000
François Thiébaud	MB Member	133 848	128 623			13 702	12 502
Raynald Aeschlimann	EMB Member	23 867	18 867			6 001	4 001
Matthias Breschan	EMB Member	2 034	2 034			3 000	3 000
Jean-Claude Eggen	EMB Member	4 816	4 816			2 501	2 501
Yann Gamard	EMB Member	2 500	2 750			5 501	5 501
Hans-Rudolf Gottier	EMB Member	31 700	34 698			5 002	5 002
Walter von Känel	EMB Member	49 500	60 879	40	40	6 000	6 000
Thomas Meier <sup>1)</sup>	EMB Member		6 000				1 200
Calogero Polizzi	EMB Member	4 000	4 000			1 500	1 500
Kevin Rollenhagen	EMB Member	72 148	64 148			8 002	8 002
Dr. Peter Steiger	EMB Member	101 333	93 000			9 667	9 000
<b>Total</b>		<b>56 815 340</b>	<b>56 742 742</b>	<b>2 600</b>	<b>2 600</b>	<b>149 319</b>	<b>145 319</b>

<sup>1)</sup> Member of the EMB until August 2018

Each option gives the right to draw one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 30 of the consolidated financial statements. Except for the community of heirs of N. G. Hayek, no member of the Board of Directors, Management Board and Extended Management Board, together with persons closely linked to them, owned as of the end of the year under review, either directly or through share options, more than 1% of the outstanding Swatch Group shares (end of previous year: community of heirs of N. G. Hayek).

### Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as The Swatch Group Ltd prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

### Events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 27 February 2019 and will be submitted to the Annual General Meeting of Shareholders for approval on 23 May 2019.

Otherwise, there were no other significant events after the balance sheet date.



## PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting that available earnings be appropriated as follows:

	<b>2018</b>	2017
	<b>CHF million</b>	CHF million
Net income for the year	<b>995</b>	840
Profit brought forward from previous year	<b>48</b>	52
<b>Available earnings</b>	<b>1 043</b>	892
Allocation to special reserve	<b>- 580</b>	- 450
Payment of a 2017 dividend, i.e.:		
– CHF 1.50 per registered share with a par value of CHF 0.45		- 186
– CHF 7.50 per bearer share with a par value of CHF 2.25		- 231
Payment of a 2018 dividend, i.e.: <sup>1)</sup>		
– CHF 1.60 per registered share with a par value of CHF 0.45	<b>- 198</b>	
– CHF 8.00 per bearer share with a par value of CHF 2.25	<b>- 247</b>	
Dividends not paid out on own shares held by the Group <sup>2)</sup>		23
<b>Balance carried forward</b>	<b>18</b>	48

<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 24 May 2018, 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 on the audit of the financial statements

#### Opinion

We have audited the financial statements of The Swatch Group Ltd, which comprise the balance sheet as at 31 December 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 217 to 225 and pages 208 to 211) as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview

Overall materiality: CHF 35 000 000



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Valuation of investments in subsidiaries and associates

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality for the audit of the financial statements</b>	CHF 35 000 000
<b>How we determined it</b>	0.5% of total equity
<b>Rationale for the materiality benchmark applied</b>	We chose total equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company. We chose 0.5% of total equity to determine materiality as this is a commonly used benchmark in practice.

We agreed with the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 2 500 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks to support its operational decisions and for its financial reporting.

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of investments in subsidiaries and associates

##### Key audit matter

As at 31 December 2018, investments in subsidiaries and associates of The Swatch Group Ltd amounted to CHF 3 530 million (about 46% of total assets). They include the directly held subsidiaries, which hold the other Group companies. These include subsidiaries with different levels of vertical integration, in particular component producers, manufacturers, brand name parent companies, numerous sales organisations and other equity investments. Because of their vertical integration and their similarity, these investments are grouped together, in some cases, for valuation purposes.

Due to the significance of this asset category in the financial statements and because of the scope for judgement in grouping these investments, we consider the impairment assessment of the equity investments as complex and, therefore, as a key audit matter.

*Please refer to page 220 (Valuation principles) and page 221 (Details to specific items, Note 9 Investments in subsidiaries and associates) of the 2018 Annual Report.*

##### How our audit addressed the key audit matter

We performed the following audit procedures:

- Firstly, we checked the grouping of the investments based on their similarity and their vertical integration in the Swatch Group.
- Secondly, we tested the valuation of each investment or group of investments based on its equity and results for the year.

On the basis of the audit procedures performed, we have addressed the risk of investments being grouped together inappropriately with no economic justification and of investments being valued incorrectly. We have no findings to report.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors and the Audit Committee or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin  
Audit expert  
Auditor in charge



Tobias Handschin  
Audit expert

Basel, 27 February 2019

## THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding / Average share capital	2018 basic	2017 basic	2016 basic	2015 basic	2014 basic	
Number of registered shares of CHF 0.45	115 449 571	116 755 450	118 672 611	119 847 161	119 894 096	
Number of bearer shares of CHF 2.25	29 268 442	29 567 412	29 987 419	30 308 846	30 320 769	
Total average number of shares outstanding	144 718 013	146 322 862	148 660 030	150 156 007	150 214 865	
Share capital registered shares of CHF 0.45	51 952 307	52 539 953	53 402 675	53 931 222	53 952 343	
Share capital bearer shares of CHF 2.25	65 853 995	66 526 677	67 471 693	68 194 904	68 221 730	
Total average share capital	117 806 302	119 066 630	120 874 368	122 126 126	122 174 073	
<b>Key data per registered share (nom. CHF 0.45) in CHF</b>						
Consolidated net income attributable to shareholders	3.23	2.77	2.14	4.01	5.10	
Cash flow from operating activities	3.60	4.78	3.76	5.17	6.81	
Consolidated equity	43.07	42.67	41.22	41.42	39.32	
Dividend	1.60 <sup>1)</sup>	1.50	1.35	1.50	1.50	
<b>Key data per bearer share (nom. CHF 2.25) in CHF</b>						
Consolidated net income attributable to shareholders	16.14	13.86	10.69	20.07	25.49	
Cash flow from operating activities	18.01	23.89	18.80	25.87	34.03	
Consolidated equity	215.33	213.33	206.12	207.12	196.58	
Dividend	8.00 <sup>1)</sup>	7.50	6.75	7.50	7.50	
<b>Stock price of registered shares (adjusted)</b>						
High	91.30	80.95	74.00	88.90	108.00	
Low	54.05	60.60	48.25	61.25	75.35	
31.12.	56.80	74.50	62.25	68.00	86.00	
<b>Stock price of bearer shares (adjusted)</b>						
High	499.10	414.60	373.00	462.50	597.00	
Low	275.60	307.50	246.20	324.10	417.10	
31.12.	286.70	397.40	316.70	350.20	444.20	
<b>Market capitalization (CHF million)</b>						
31.12.	15 887	21 497	17 489	19 235	24 367	
<b>Key ratios (year-end)</b>						
Average return on equity	%	7.7	6.8	5.3	10.2	14.0
Dividend yield registered shares	%	2.8	2.0	2.2	2.2	1.7
Dividend yield bearer shares	%	2.8	1.9	2.1	2.1	1.7
Price/earnings ratio – registered shares		17.6	26.9	29.1	17.0	16.9
Price/earnings ratio – bearer shares		17.8	28.7	29.6	17.4	17.4

<sup>1)</sup> Board of Directors' proposal

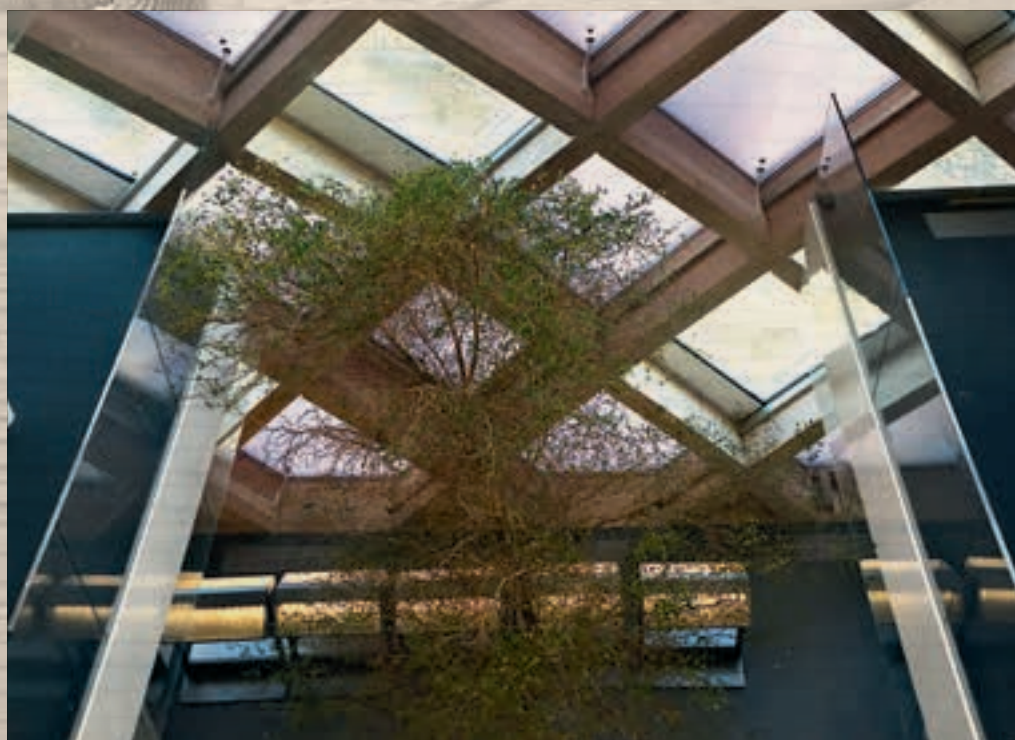
Securities	ISIN no.	Reuters Symbol
The Swatch Group Ltd registered shares	CH0012255144	UHRN.S
The Swatch Group Ltd bearer shares	CH0012255151	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange.

### Evolution of The Swatch Group Ltd registered shares and the Swiss Market Index (1988–2018)



# **COMPENSATION REPORT**





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## COMPENSATION REPORT

Ladies and Gentlemen

In accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance; Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV), which came into force on 1 January 2014, all information regarding the compensation of the Board of Directors and the Group Management Board (Executive Group Management Board and Extended Group Management Board) is presented in the Compensation Report.

With the Compensation Report, the Board of Directors and the Compensation Committee give an account of the material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee, and of the various compensation elements.

The aim of the Compensation Report is to create transparency regarding the compensation provided by the company.

The Compensation Report is divided into the following sections:

- one section with information regarding the structure and decision-making processes within the Compensation Committee and the Board of Directors;
- one section with the description of the compensation system;
- one section that sets out the specific compensation in the year under review and the previous year.

The Compensation Report fulfils the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations, which came into force on 1 January 2014, and accordingly the provisions of the Swiss Code of Obligations. The Report essentially follows the recommendations of the Swiss Code of Best Practices for Corporate Governance issued by *economiesuisse* and the Guidelines on Corporate Governance issued by SIX Swiss Exchange Ltd.

Compensation for the year under review and the previous year (Note 4a-e) were audited by PriceWaterhouseCoopers AG. Disclosure is made according to the « accrual principle ».

### 1. Compensation Committee

#### 1.1 Composition of the Compensation Committee

As the Board of Directors of the Swatch Group is intentionally kept small in number (currently 6 members), it functions at the same time as the Compensation Committee. This eliminates the need for demarcating the areas of responsibility and ensuring the flow of information.

The Compensation Committee is chaired by Mr Ernst Tanner, Vice-Chairman of the Board of Directors.

All members of the Board of the Directors abstain from discussions and decisions regarding their compensation and from discussions and decisions regarding compensation of persons closely related to them (such as family members).

No members having any cross-involvement belong to the Compensation Committee, such that no conflicts of interest arise from this point of view as well.

#### 1.2 Tasks / Competences

The Compensation Committee handles the compensation policy of the company. It assists the Board of Directors in determining the compensation system and the principles of compensation, and in the preparation of motions to the General Meeting for approving compensation. The Compensation Committee may submit proposals and recommendations to the Board of Directors in all matters pertaining to compensation.

With the coming into force of the revised Articles of Association of the Swatch Group, the Compensation Committee attends to all issues related to compensation, and proposes solutions for the attention of the Board of Directors. The decision-making body is the Board of Directors. The Board of Directors will submit the necessary resolutions to the General Meeting for its approval.

At the Annual General Meeting of the year under review, the fixed remuneration for members of the Board of Directors until the next annual general meeting, as well as the fixed remuneration for the year under review and the variable remuneration for the previous year for executive functions for members of the Board of Directors was voted upon. In addition, fixed remuneration for members of the Management Board and the Extended Management Board for the year under review, as well as variable remuneration for the previous year was voted upon.

#### 1.3 Meetings

The Compensation Committee met twice during the year under review.

## COMPENSATION REPORT

### 2. Compensation system

#### 2.1 General principles of compensation

The members of the Board of Directors and the Executive Management are entitled to compensation corresponding to their job function and degree of responsibility.

The company may award compensation for activities in undertakings that are directly or indirectly controlled by the company and for activities at the order of the undertaking. The compensation may be awarded by the company or by the companies that it controls.

The compensation of the non-executive members of the Board of Directors comprises only fixed compensation elements.

The compensation of executive members of the Board of Directors and the members of the Executive Management comprises fixed and variable compensation elements. The fixed compensation comprises base salary and may include additional compensation elements. The variable compensation is guided by the achievement of defined performance objectives.

The performance objectives may include personal goals, company-specific and division-specific objectives, along with key economic or market-related figures. In doing so, the function and the level of responsibility of the recipient of the variable compensation are taken into account.

At the request of the Compensation Committee, the Board of Directors sets the performance values and objectives of the variable compensation elements and their achievement.

The compensation system of the Swatch Group is in line with market conditions and based on performance. It is reviewed on an annual basis and adjusted when necessary.

#### 2.2 Compensation elements

##### a) Non-executive members of the Board of Directors

The non-executive members of the Board of Directors receive fixed compensation. It is graduated according to functions.

##### b) Executive members of the Board of Directors, members of the Executive and Extended Group Management Board

The compensation system for the executive members of the Board of Directors and the members of the Executive and Extended Group Management Board provides for the following elements:

- a base salary;
- an expense allowance;
- a bonus program with variable compensation;
- a share program with annual share allocations and a minimal guaranteed value;
- payments to the pension fund (Swatch Group Pension Fund) and to the Management Fund of the Swatch Group (in one specific case where the EKL-member is a foreign national, payment was made to the local pension fund).

#### 2.3 Information on individual elements

##### 2.3.1 Base salary

The base salary is usually paid out monthly in 13 equal instalments. The 13th instalment is paid each year in December. The degree of responsibility, the responsibilities and position are taken into account in the base salary.

##### 2.3.2 Expense allowance

Members of the Board of Directors and the Executive Group Management Board receive an expense allowance of CHF 30 000; members of the Extended Group Management Board receive up to CHF 24 000. This expense allowance covers representation and small expenses, and was approved by the tax authority of the Canton of Bern. Executive members of the Board of Directors who at the same time belong to the Executive Management receive the expense allowance only once.

##### 2.3.3 Bonus programs

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 business division entrusted to the respective person (brands, countries, functional area) as well as individual performance.



## COMPENSATION REPORT

At the start 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 bonus potential can be paid. If individual objectives are not achieved, a proportionate reduction can be made.

The bonus is determined and paid out at the start of the following year, once the financial statements are available. A recipient with a Swiss contract and residence in Switzerland receives an advance payment in December. This is usually 70% of the bonus potential, provided that the set objectives (turnover, operating profit, etc.) will foreseeably be achieved; if not, a payment of 50% will be made.

The assessment criteria that apply are, among other things: turnover development, development of operating profit, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of cost reduction programs, personnel fluctuation, and motivation of employees. The assessment criteria are individually tailored to the function holders and weighted accordingly.

For the particular promotion of the Group's interests, a part of the bonus is awarded as a Group bonus. The percentage share of the Group component varies according to function.

### 2.3.4 Share program

On an annual basis, a number of registered shares with a low exercise price are offered to the executive members of the Board of Directors and the members of the Executive Group Management Board and the Extended Group Management Board. In the year under review and the previous year, this amounted to CHF 4.00 per share. One-third of the allocation may be exercised and subscribed immediately. In one and two years respectively, an additional one-third may be exercised and subscribed. Once exercised, the shares may be freely disposed of. Optionally these can be subject to a blocking period of either 5 or 10 years. In the event of an early departure, the allocations for non-exercised options expire; upon retirement, they are immediately available.

The allocation of the share subscription rights takes place through the Board of Directors after the Annual General Meeting. A certain minimum allocation value was contractually guaranteed to the executive members of the Board of Directors and the members of the Executive Group Management Board and the Extended Group Management Board. For executive members of the Board of Directors and members of the Executive Group Management Board, this amounted to CHF 50 000; for members of the Extended Group Management Board, this generally amounted to CHF 25 000 per year (allocation value = share price minus CHF 4.00 exercise price).

The calculation basis for payment of allotted shares and options is the day value at allocation date. The day value corresponds to the share price on the allocation date less the exercise price.

The following values were in force for the year under review and the previous year:

	2018	2017
Date of grant	<b>31 May 2018</b>	31 May 2017
Share price on the day of allocation	<b>CHF 87.55</b>	CHF 73.90
Exercise price	<b>CHF 4.00</b>	CHF 4.00
Daily value on the date of allocation	<b>CHF 83.55</b>	CHF 69.90

### 2.3.5 Pension Fund / Management Fund

The executive members of the Board of Directors and the members of the Executive Group Management Board and of the Extended Group Management Board respectively, are insured by the Swatch Group Pension Fund and the Swatch Group Management Fund.

The Swatch Group Pension Fund insures incomes of up to CHF 320 000.

The Management Fund covers income components between CHF 320 000 and CHF 846 000.

The Management Fund provides for contributions of 10% of which 75% are assumed by the employer.

## COMPENSATION REPORT

### 3. Additional contractual elements

- 3.1 Term and termination periods of employment contracts** All employment contracts of the Executive Group Management Board and of the Extended Group Management Board are concluded for an indefinite term.
- They may be terminated by either party with a notice period of six months as per the end of a month.
- 3.2 Payment of salaries** Salaries are paid on a monthly basis. No advance payments are made, either for the current month or for longer periods. The same applies to compensation within the framework of mandate relationships.
- 3.3 Compensation upon commencement of the employment relationship** Swatch Group does not pay any compensation upon the conclusion of an employment contract or upon the start of work ("golden hellos"/"golden handshakes").
- Moreover, no compensation is provided to settle share options or other financial benefits of a prior employer that were rendered void through the job change.
- 3.4 Loans and credits to members of governing bodies** The company or companies controlled by it may grant loans and credits to executive members of the Board of Directors and the Group Management Board on market terms. Such loans and credits may not exceed the amount of the fixed annual compensation of the person concerned. The fixed annual compensation of the previous year shall be taken as the basis for the grant of credit or loan (Article 41 of the Articles of Association).
- In addition, just like all employees of the Swatch Group in Switzerland, the executive members of the Board of Directors and the members of the Executive Group Management Board and of the Extended Group Management Board respectively, have the option of taking out a mortgage loan with the Swatch Group Pension Fund to finance the purchase of real estate in Switzerland. The applicable conditions are the same as those that apply to all employees of the Swiss Swatch Group companies (lending limit, interest rate, etc.).
- 3.5 Membership in governing bodies of Group companies** It regularly occurs that executive members of the Board of Directors and members of the Executive Group Management Board and of the Extended Group Management Board sit on governing bodies of subsidiaries, both in Switzerland and abroad (as board members, members of supervisory boards, members of advisory boards, or as managers). No additional compensation is awarded for such tasks and functions, either by the Swatch Group or by the relevant Group company.
- 3.6 Severance payments** The employment contracts of the members of the Executive Group Management Board or the Extended Group Management Board do not provide for severance payments or any payments whatsoever upon termination of the employment relationship.
- In addition, no payments ("golden parachutes", etc.) are provided in the event of a change of control.
- 3.7 Mandates with former members of the Executive Group Management Board or the Extended Group Management Board** It may occur that members of the Executive Group Management Board and the Extended Group Management Board who have resigned from their functions are employed on a mandate basis by the Group from time to time. In all such cases, clear written mandate contracts are concluded; these must be approved by the President of the Executive Group Management Board. Such mandate contracts contain the same restrictive conditions as employment contracts (contractual term, payments, etc.).

## COMPENSATION REPORT

### 4. Compensation for the members of the Board of Directors and Group Management Board (KL/EKL) in 2018

This part of the report is subject to audit by PricewaterhouseCoopers Ltd.

#### a. Board of Directors (BoD)

2018 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions				Total <sup>6)</sup>
			Base compensation <sup>2)</sup>	Bonus <sup>3)</sup>	Share options <sup>4)</sup>	Other compensation <sup>5)</sup>	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	230 264	1 002 108	1 400 000	1 671 000	347 018	4 650 390
	Vice-						
Ernst Tanner	Chairman	166 115				9 575	175 690
Daniela Aeschlimann	Member	157 966				11 677	169 643
Georges Nicolas Hayek <sup>7)</sup>	Member	157 152				10 840	167 992
Prof. Dr. h.c. Claude Nicollier	Member	155 575				8 729	164 304
Dr. Jean-Pierre Roth	Member	155 575				8 729	164 304
<b>Total</b>		<b>1 022 647</b>	<b>1 002 108</b>	<b>1 400 000</b>	<b>1 671 000</b>	<b>396 568</b>	<b>5 492 323</b>

2017 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions				Total <sup>6)</sup>
			Base compensation <sup>2)</sup>	Bonus <sup>3)</sup>	Share options <sup>4)</sup>	Other compensation <sup>5)</sup>	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	221 919	1 002 108	1 400 000	1 398 000	356 484	4 378 511
	Vice-						
Ernst Tanner	Chairman	160 406				9 029	169 435
Daniela Aeschlimann	Member	152 634				11 190	163 824
Georges Nicolas Hayek <sup>7)</sup>	Member	151 854				6 854	158 708
Prof. Dr. h.c. Claude Nicollier	Member	150 305				8 218	158 523
Dr. Jean-Pierre Roth	Member	150 305				8 218	158 523
<b>Total</b>		<b>987 423</b>	<b>1 002 108</b>	<b>1 400 000</b>	<b>1 398 000</b>	<b>399 993</b>	<b>5 187 524</b>

<sup>1)</sup> Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred. The compensation contains an amount of CHF 20 000 for functions in the Compensation Committee and the Audit Committee as well as expense allowance payments in the amount of CHF 30 000 per year.

<sup>2)</sup> Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred. Long-term service awards are now recognized under "other compensation" and no longer under "base compensation", as they are non-recurring. The previous year was restated accordingly.

<sup>3)</sup> Bonus payments allocated on a cash or accrual basis.

<sup>4)</sup> The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4. In the year under review and the previous year, Mrs N. Hayek was allocated 20 000 share options.

<sup>5)</sup> Other compensation includes pension benefits in the amount of CHF 65 064 (previous year: 65 064). The remaining social benefits (employer's contributions) amounted to CHF 331 504 (previous year: CHF 314 095) for the year under review. In the previous year, this position also included long-term service awards in the amount of CHF 20 834 (year under review: none).

<sup>6)</sup> All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

<sup>7)</sup> The compensation for the executive functions is set forth in paragraph b. of this chapter.



## COMPENSATION REPORT

### b. Executive Group Management Board (KL) and Extended Group Management Board (EKL)

2018

Name	Base compensation <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)	1 502 105	3 120 000	24 000	2 005 200	630 281	7 257 586
Total other members	4 980 676	11 672 558	109 100	9 115 305	4 177 929	29 946 468
<b>Total</b>	<b>6 482 781</b>	<b>14 792 558</b>	<b>133 100</b>	<b>11 120 505</b>	<b>4 808 210</b>	<b>37 204 054</b>

The calculation basis for share options is the day value at allocation date (see Section 2.3.4). In the year under review, this corresponded to a value of CHF 83.55 per option (previous year: CHF 69.90 per option). The valuation of the share options at prior-year value would result in a total value of CHF 9 303 690 (+6.2%).

2017

Name	Base compensation <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)	1 502 105	3 120 000	24 000	1 677 600	667 487	6 967 192
Total other members	5 051 074	11 580 944	101 300	7 080 870	2 854 909	26 567 797
<b>Total</b>	<b>6 553 179</b>	<b>14 700 944</b>	<b>125 300</b>	<b>8 758 470</b>	<b>3 522 396</b>	<b>33 534 989</b>

<sup>1)</sup> Total annual base compensation allocated on a cash or accrual basis, including expense allowance payments, but not including any reimbursement for travel and other business expenses incurred. Long-term service awards are now recognized under "other compensation" and no longer under "base compensation", as they are non-recurring. The previous year was restated accordingly.

<sup>2)</sup> Variable bonus payments allocated on a cash or accrual basis.

<sup>3)</sup> The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4.

<sup>4)</sup> Other compensation includes pension benefits in the amount of CHF 1 142 181 (previous year: CHF 520 981). The remaining social benefits (employer's contributions) amounted to CHF 3 631 597 (previous year: CHF 2 900 871) for the year under review. Other compensation also includes further benefits and long-term service awards in the amount of CHF 34 432 (previous year: CHF 100 544).

<sup>5)</sup> All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

The figures presented include all direct and indirect compensation. Mr G.N. Hayek, as the CEO, received the highest compensation.

In the year under review, no payments were made to former members of the Executive Group Management Board and the Extended Group Management Board in connection with their past activities as members of the Company's governing bodies (previous year: CHF 883 221).

### c. Loans and credits to the Board of Directors and the Group Management

In the year under review, no loans or credits were granted to members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively. Moreover, no loans or credits were granted to former members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively. The same holds true for the previous year.

At the end of the year under review, as in the previous year, there were no credit or loans outstanding to (current or former) members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board.

### d. Compensation, loans, and credits to closely related persons

In the year under review and the previous year, no non-market-based compensation was awarded to persons who are closely related to the members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

### e. Impermissible compensation

In the year under review and the previous year, the company did not award any severance payments to the members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

Likewise, in the year under review and the previous year, no compensation was paid in advance to members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

## **REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL**

We have audited the content of sections 4a-e of the Compensation report dated 27 February 2019 of The Swatch Group Ltd for the year ended 31 December 2018.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Compensation report of The Swatch Group Ltd for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

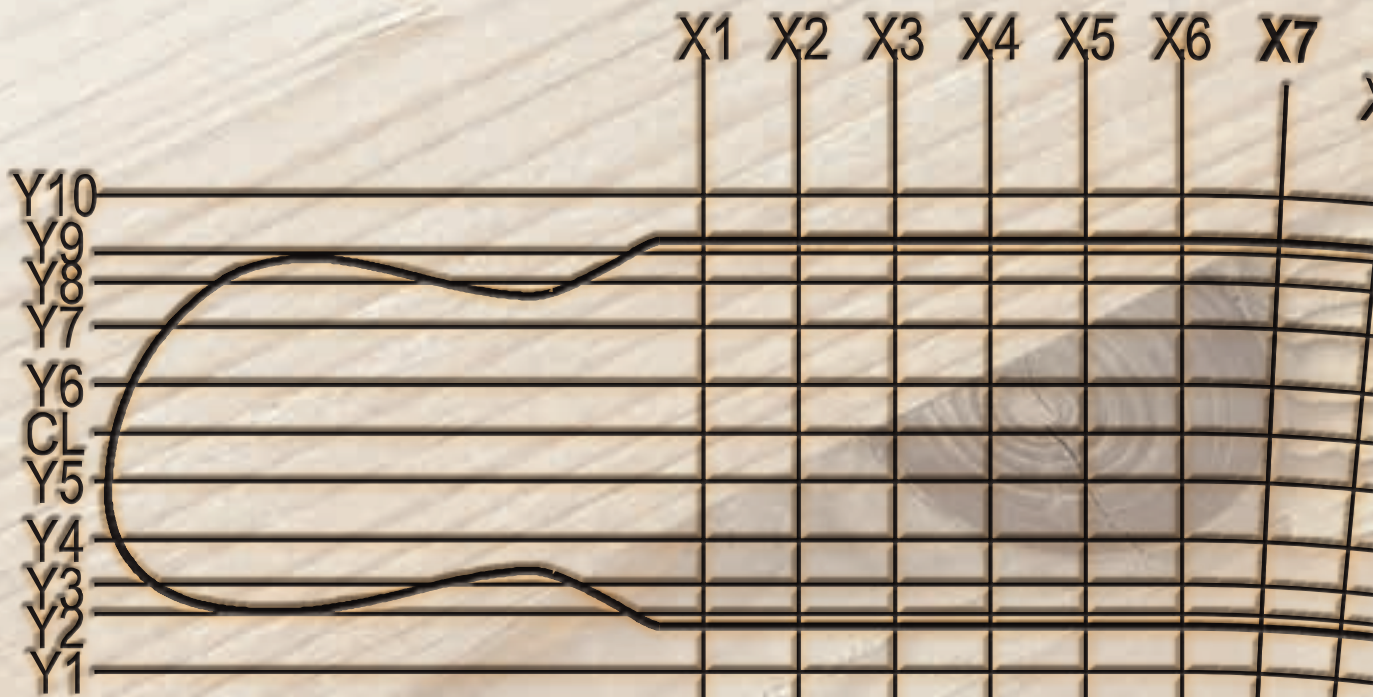
PricewaterhouseCoopers AG



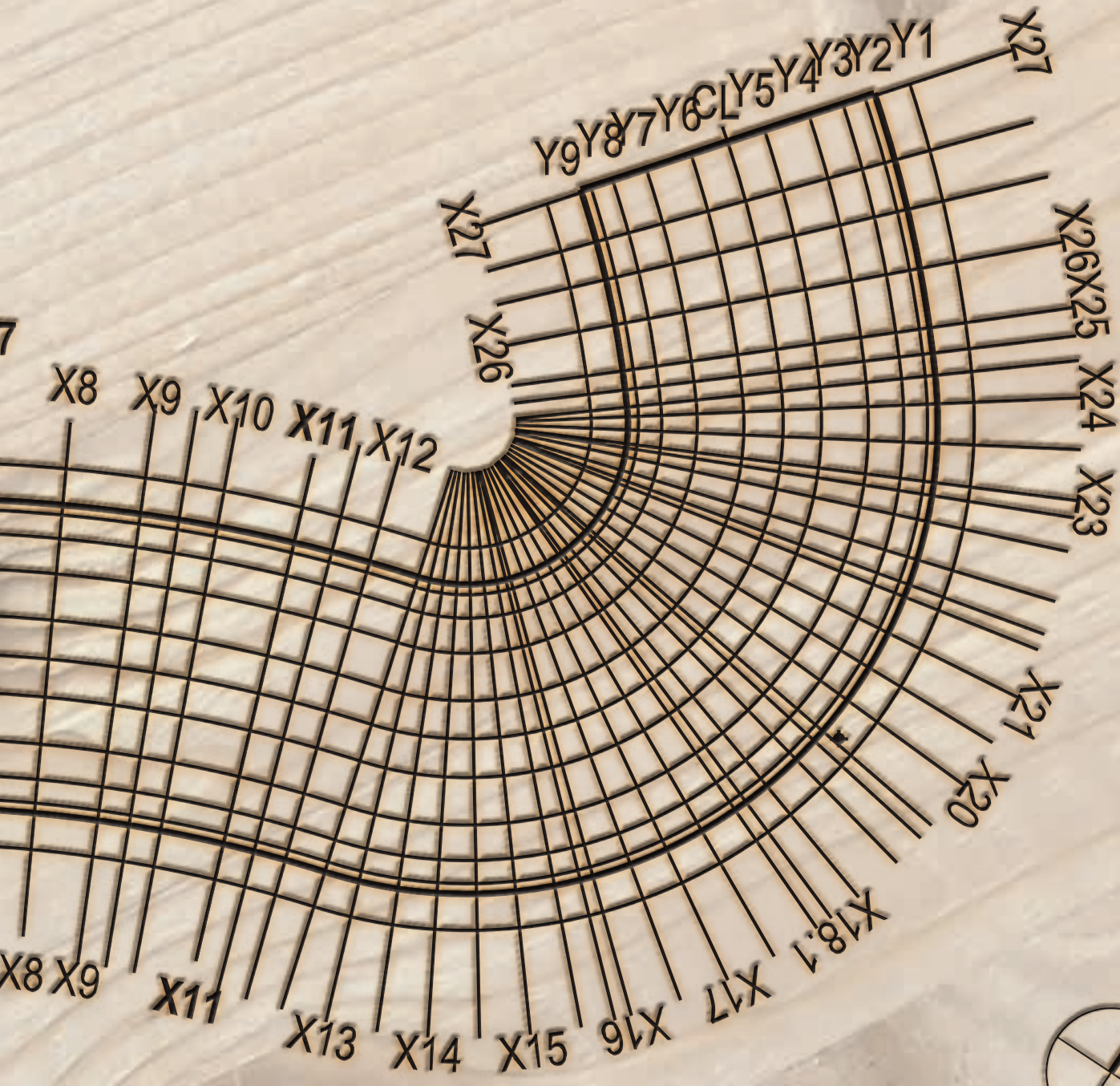
Thomas Brüderlin  
Audit expert  
Auditor in charge

Tobias Handschin  
Audit expert

Basel, 27 February 2019









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