

OMEGA

Breguet

BLANCPAIN

ANNUAL  
REPORT 2019

Jaquet Droz

Glashütte  
ORIGINAL

E. FRANCOILLON  
LONGINES  
SUISSE

RADO

Tissot

swatch  
QUARTZ





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## MESSAGE FROM THE CHAIR

Dear Madam, Dear Sir,  
Dear Fellow Shareholders,

As a rule, I use this space to report to you on the previous year. But this year I am going to break with this tradition and start with the current situation. A virus is paralyzing our world and once again, we see the strategic importance of producing in Switzerland. And this does not apply only to us. As a nation, we should produce more medicines, food and basic components here instead of doing so in other countries merely because of the associated costs. 2020 will certainly be a difficult year worldwide, but let me talk to you now about our 2019.

The concept of sustainability is very much in vogue at the moment. Consistency and sustainability are valid not only for our 18 brands but also for their products. The watches we manufacture are made to last for many years, even several decades, and are happily passed on from generation to generation. Occasional routine maintenance is enough to defy the ravages of time. Unlike most consumer goods in our throwaway society, watches are enduring products. They are in a class of their own because they are not distinguished solely by their beauty and their precision.

Vintage is everywhere these days: in fashion, in automobile construction, in interior design. According to one famous dictionary, vintage means outdated clothing and accessories from past decades that have been adapted to the zeitgeist. Accordingly, vintage is the new must-have. The phenomenon has also conquered the world of watchmaking. Many of our brands offer modern reinterpretations of watches from the past. But some products make a false claim to the vintage label: the so-called

preowned – or more accurately – used watches!! They are not necessarily vintage at all. The term should be reserved for timepieces that reflect the heritage of a brand and the time the watch was created. You can find many pictures and stories about our own brands' true vintage heritage in our 2019 Annual Report. And this year, our shareholder gift is a real Vintage Swatch.

Faced with the transience and the turbulence in the world today, consumers feel the need to reconnect with products that are both reliable and sustainable. Vintage, dear shareholders, also touches on our childhood memories. Vintage is an expression of the need to focus once again on the essentials. This is not simply nostalgia for a bygone era, but a quest to return to our roots. Even the younger, super-connected generations are enthusiastic about it. With the vintage trend, the Y and Z generations have found a common denominator to create their own fitting futures.

But beware, let's not be blinded by the trend towards vintage and the past. I can assure you that the future is omnipresent at Swatch Group. In fact, it is one of the red threads that runs through each of our decisions. We prepare for it meticulously on a daily basis, placing particular emphasis on innovation. Witness our new 2019 record of patent applications, which has risen to 231 – 9% more than in the previous year.

3

Now that we have spent some time in the past and a little bit in the future, we come to 2019. Swatch Group realized a turnover of 8243 million Swiss francs last year. Compared to the previous year, this represents a slight decline of 1.8% at constant exchange rates. The operating result fell by 11.4% to 1023 million Swiss francs compared to the previous year, but managed to stay above the 1000 million mark. Net income amounted to 748 million Swiss francs, a decline of 13.7%. The year under review, particularly the second half, was dominated by the events in Hong Kong. Along with the exchange rate fluctuations, they had a significant impact on our figures. We have to accept such external circumstances and we have learned to live with them. Nevertheless, we are proposing an unchanged dividend, which demonstrates our confidence in the future and in you. As I mentioned earlier, the future is very high on our agenda, which is why we will continue to invest in research and development, in new products, in our production capacities, and in our sales network. In 2020, we intend to invest between 450 and 500 million Swiss francs. And we will remain positive in our outlook despite all the obstacles.



Ladies and gentlemen, dear shareholders, you all take part in our company's destiny. By cherishing and nurturing the pearls of the past in order to reap the treasures of the future, you remain the soul of this company. I would like to thank you all for this. I would also like to thank the Board of Directors, the Executive Group Management Board and the Extended Group Management Board as well as all our colleagues for their unfailing commitment, dynamism and energy over the past year. My sincere thanks to all of you.

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



SWATCH GROUP

# OPERATIONAL ORGANIZATION

as at December 31, 2019

## SWATCH GROUP BRANDS AND COMPANIES

WATCHES	RETAILING	PRODUCTION	ELECTRONIC SYSTEMS	CORPORATE
<b>Prestige and Luxury Range</b> Breguet Harry Winston Blancpain Glashütte Original Jaquet Droz Léon Hatot Omega	<b>Tourbillon</b> <b>Hour Passion</b>	<b>Watches</b> ETA Mecro CHH Microtechnique Nivarox-FAR Comadur Rubattel et Weyermann MOM Le Prélet Universo Manufacture Ruedin Lascor Simon Et Membrez Novi Swatch Group Assembly	<b>EM Microelectronic</b> <b>Renata</b> <b>Micro Crystal</b> <b>Swiss Timing and ST Sportservice</b>	<b>Swatch Group Research and Development</b> Asulab Moebius CDNP <b>ICB Ingénieurs Conseils en Brevets</b> <b>Swatch Group Quality Management</b> <b>Swatch Group Services</b> European Distribution Center Swatch Group Logistics Swatch Group Information Technologies Swatch Group Corporate Customer Service Swatch Group Gems Real Estate Development <b>Swatch Group Immeubles</b> <b>Belenos Clean Power</b>
<b>High Range</b> Longines Rado Union Glashütte		<b>Jewelry</b> Dress Your Body (DYB)		
<b>Middle Range</b> Tissot Balmain Certina Mido Hamilton Calvin Klein				
<b>Basic Range</b> Swatch Flik Flak				

SWATCH GROUP

# ORGANIZATION AND DISTRIBUTION IN THE WORLD

as at December 31, 2019

## SWATCH GROUP SUBSIDIARIES

EUROPE	AMERICAS	OCEANIA	FAR EAST	MIDDLE EAST	AFRICA
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.

# BOARD OF DIRECTORS

as at March 1, 2020



**NAYLA HAYEK**  
Chair of the Board of Directors



**ERNST TANNER**  
Vice-Chairman



**DANIELA AESCHLIMANN**



**NICK HAYEK**



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



**DR. JEAN-PIERRE ROTH**

**Company Secretary**  
Jennifer Meyer-Kluge

**Auditors**  
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St. Jakob-Strasse 25  
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**Registered Offices**  
Faubourg de l'Hôpital 3  
CH-2000 Neuchâtel

The function descriptions and responsibilities of the Board of Directors members at December 31, 2019 are outlined in the Corporate Governance chapter on pages 157 and 158 of the present Annual Report.

SWATCH GROUP

# EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2020



**NICK HAYEK**  
President of the Group Management Board



**FLORENCE  
OLLIVIER-LAMARQUE**



**PIERRE-ANDRÉ BÜHLER**



**DR. MOUGAHED DARWISH**



**MARC A. HAYEK**



**DR. THIERRY KENEL**



**DR. PETER STEIGER**



**FRANÇOIS THIÉBAUD**

SWATCH GROUP

# EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2020



**MIREILLE KOENIG**



**RAYNALD AESCHLIMANN**



**MATTHIAS BRESCHAN**



**DANIEL EVERTS**



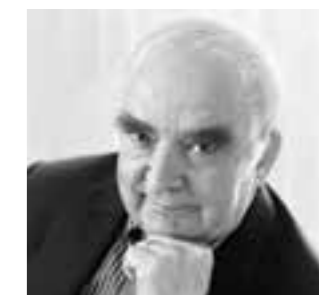
**YANN GAMARD**



**HANS RUDOLF GOTTIER**



**ROGER JUILLET**



**WALTER VON KÄNEL**



**LIONEL A MARCA**



**CALOGERO POLIZZI**



**KEVIN ROLLENHAGEN**

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2019 are outlined in the Corporate Governance chapter on pages 160 to 162 of the present Annual Report.



## DEVELOPMENT OF SWATCH GROUP

Swatch Group consolidated		2019	2018	2017	2016	2015
<b>Net sales</b>	<b>CHF million</b>	<b>8 243</b>	8 475	7 989	7 553	8 451
- Change from previous year	%	-2.7%	6.1%	5.8%	-10.6%	-3.0%
<b>Operating result</b>	<b>CHF million</b>	<b>1 023</b>	1 154	1 002	805	1 451
- As a % of net sales	%	12.4%	13.6%	12.5%	10.7%	17.2%
<b>Net income</b>	<b>CHF million</b>	<b>748</b>	867	755	593	1 119
- As a % of net sales	%	9.1%	10.2%	9.5%	7.9%	13.2%
- Change from previous year	%	-13.7%	14.8%	27.3%	-47.0%	-21.0%
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>1 224</b>	943	1 264	1 010	1 404
- As a % of net sales	%	14.8%	11.1%	15.9%	13.4%	16.6%
<b>Equity</b>	<b>CHF million</b>	<b>11 493</b>	11 274	11 289	11 073	11 242
- As a % of balance sheet total	%	83.9%	82.5%	83.8%	84.5%	84.7%
<b>Balance sheet total</b>	<b>CHF million</b>	<b>13 692</b>	13 661	13 479	13 106	13 270
Personnel as at 31.12.	Employees	36 089	37 123	35 360	35 705	36 313
Annual average	Employees	36 596	36 074	35 057	35 827	35 783
Personnel expense	CHF million	-2 578	-2 563	-2 339	-2 342	-2 384

The Swatch Group Ltd		2019	2018	2017	2016	2015
Dividend income	CHF million	909	1 004	848	1 005	1 055
<b>Net income</b>	<b>CHF million</b>	<b>911</b>	995	840	992	1 028
Investments	CHF million	4 375	3 530	3 475	3 422	3 116
Share capital	CHF million	118	125	125	125	125
Equity	CHF million	7 801	7 326	7 100	6 808	6 541
- As a % of balance sheet total	%	96.3%	94.3%	96.7%	95.1%	97.5%
<b>Balance sheet total</b>	<b>CHF million</b>	<b>8 100</b>	7 768	7 343	7 162	6 707
<b>Dividend 1) 2)</b>	<b>CHF million</b>	<b>418</b>	413	394	357	403
- As a % of share capital	%	354.2%	330.4%	315.2%	285.6%	322.4%

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

2) For the year under review: Board of Directors' proposal

ONCE UPON A TIME...  
ART & PHILANTHROPY





# MORE BEAUTIFUL THAN THE SUM OF ITS PARTS

The 18 Swatch Group watch brands most probably hold a record few people are aware of and which is doubtless unequalled in world economic history. These brands can indeed boast a collective 2410 years of existence since their respective founding years. For example, Blancpain was founded in 1735 and Breguet in 1775; Omega was born in 1848 and Longines in 1832; while Tissot dates back to 1853 and Hamilton to 1892. In fact, it's tempting to say that these brands jointly represent two and a half millennia of combined history, heritage, expertise, skills, creativity and innovation. That's a real feat in this digital age. At a time when the vintage trend is stronger than ever both in watchmaking and in other sectors – reflecting a need to reconnect with reliable and enduring products in the face of the evanescence and turbulence of today's world – Swatch Group is ideally positioned within this context governed by a mindset that seems to imply that things were better back in the day.

While each brand has its own collections, its signature features, its path, its positioning, its DNA and its differences, all are brimming with a rich and fertile past composed of stories large and small that have shaped and continue to define their identities. Today's consumers, including millennials, cherish this heritage, these watches from the past. Witness the incredible record prices that these products reach in auctions and on specialized platforms. Watch aficionados are curious about brand history and always eager to learn more. That is entirely understandable; after all, how can we grasp the present, let alone the future, if we do not know our past? For a brand however, this past has to be authentic, real and substantial. There is no room for empty and often fabricated marketing discourse. The Swatch Group brands have no need of such tricks, since they can rely on a genuine wealth of history, as vividly confirmed by a visit to, for example, the Breguet, Omega, Longines or Swatch museums. We have selected for you a few historical anecdotes demonstrating the rich heritage and the truly vintage sides of our brands. Yet there would be so many more stories to tell. History is the conscience of our brands and Swatch Group is already writing the next few pages: those of the future.

### Breguet's pedometer, a Breguet object that doesn't tell the time

In 1806, the fourth French Exhibition of the Products of Industry was held on the Esplanade des Invalides in Paris. Ancestor of what would become the World's Fairs, this event was, at the time, intended to stimulate French industrialists and offered Europe a glimpse of the products of the various French industries. The 1806 edition, decreed by Napoleon the day after Austerlitz's victorious campaign, was more splendid and striking than any previous edition. Among the ten or so watchmakers exhibiting their inventions was Abraham-Louis Breguet. Already known at these events for having won two medals – the rules did not allow for more unless a higher distinction had been awarded – the master watchmaker unveiled his most famous invention: the tourbillon. He also introduced another object that did not serve to display the time, the

"clock that divides time" intended for music composers, which he also called a "musical chronometer". Already unveiled in 1798, this creation, better known as the "metronome", was not much more successful in 1806.

It was nevertheless the fruit of a promising collaboration between A.-L. Breguet and the celebrated Italian composer Giovanni Paisiello. After triumphal performances of his operas in Naples and St. Petersburg, he became the favorite musician of Napoleon, who entrusted him with official functions in Italy before bringing him to Paris in 1802. He was the appointed composer of the First Consul, and in 1804 he was assigned the overwhelming task of composing the mass for the Emperor's coronation. Paisiello met Breguet the same year. He bought a repeater watch and a small clock with a mahogany case and agreed to help him perfect his device. We know from Breguet himself, who recorded it in a notebook, that Paisiello came to Quai de l'Horloge on 12 April 1804 to calibrate the chronometer and equip it to handle pieces ranging from "chaconne" to "romance" as well as "passacaille", "allegro agitato", "gavotte", and so on.

This metronome, produced in extremely small quantities, achieved very limited commercial success. It was definitively supplanted by the robustness and extreme simplicity of Johann Mälzel's inexpensive pyramid-shaped version with an oscillating rod and a small mobile weight, patented in 1816 in Paris and still in use today. This was one of Breguet's few commercial failures, but it was given a new purpose. Rather than discarding it, he transformed it into a pedometer which, as he explained, was a "kind of military metronome for regulating the marching of troops".



This object attracted the interest of a client who was, to say the least, surprising. Although Breguet had managed to make a name for himself in Russia, even going so far as to set up a branch called the Maison de Russie, it all came to an end when political tensions between Russia and France prompted Tsar Alexander I to prohibit the entry of French products into his territory. The end of this tense period was marked by a particularly symbolic sale. When Napoleon's France capitulated in March 1814, the Breguet workshop on the Quai de l'Horloge in Paris welcomed a mysterious customer, who arrived incognito, accompanied by a valet: the Tsar of all Russia himself!

Records confirm that on that day he bought two models, one of which was a repeater watch. At this memorable meeting, one can imagine Breguet presenting him with his pedometer, which he now called a "military timer". The monarch, a great lover of impeccable military parades, was particularly won over by this object. Its tempo – adjustable from 60 to 125 beats per minute – can be read off by the movements of the hand on the dial and are perfectly audible if the instrument is held to the ear. Breguet delivered eight of them between 1820 and 1822.

Reacting to the impetus given by the Tsar, Russian sales – which had fallen to zero in 1813 – resumed very quickly and the name of Breguet enjoyed unparalleled renown in Russia.



### Harry Winston and the legacy of the world's most famous diamond

The Hope Diamond, one of the greatest gemstones ever discovered, has arguably captivated the world more than any other. At 45.52 carats, the size and deep blue hue of the Hope Diamond make it a rare wonder of nature, but its extraordinary history made it world famous.

Though folklore states that the mysterious blue diamond was stolen from a sacred temple (casting a sinister curse on all those who owned it), the story of the Hope Diamond actually begins in the Golconda mines of India.

In the mid-seventeenth century, the diamond was acquired by renowned French gem merchant Jean-Baptiste Tavernier, who described it as a 112<sup>3</sup>/<sub>16</sub>-carat violet-blue heart-shaped stone.

The diamond was then purchased by King Louis XIV of France in 1668, who ordered the diamond to be recut. Named the "French Blue," the then 67.50-carat diamond served as one of the centerpieces of the French Crown Jewels for more than a century. Worn on ceremonial occasions, the diamond was passed down through generations of kings from Louis XIV to Louis XV and eventually onto Louis XVI and his Queen, Marie Antoinette. It was under their reign that the era of the "French Blue" would end, when the diamond was stolen from the Treasury during the French Revolution, disappearing for nearly 40 years.





In 1830, the recorded history of the Hope Diamond resumed when the stone was sold to Lord Henry Philip Hope in London, and given the name by which we know it today. In 1910, the Hope was acquired by the Washington socialite Evalyn Walsh McLean. Following her death in 1947, the Hope Diamond was put up for sale along with McLean's impressive jewelry estate, which quickly caught the attention of Harry Winston. By 1949, the purchase was complete and the Hope Diamond took its place alongside Harry Winston's most cherished gemstones.

Winston soon realized that a diamond that had shared its history across centuries and continents deserved to be shared not just with a single owner, but with everyone. It was in 1958 that Mr. Winston famously decided to donate the Hope Diamond to the Smithsonian Institution in Washington, D.C.

On November 8, 1958, a former police officer and employee of Harry Winston traveled by subway to the local New York City post office to mail an unassuming package. What no one knew was that this package contained one of the most famous diamonds in the world – the Hope. After paying \$ 145.29 – \$ 2.44 was for the actual postage, while the remainder covered insurance – the mysterious blue gem was sent via US mail to Washington, D.C.

Upon arrival in Washington, the Hope was picked up by a local letter carrier and delivered to the museum, where he was met by Edna Winston, Mr. Winston's wife, and Leonard Carmichael, Secretary of the Smithsonian Institution. In front of a room full of journalists and photographers, Mrs. Winston unwrapped the Hope Diamond and presented it as a gift to the public, to the Smithsonian, where today it remains on permanent display in the Harry Winston Gallery.

#### Blancpain's Fifty Fathoms, or the archetypal dive watch

In the early 1950s, Jean-Jacques Fiechter, then CEO of Blancpain, was a pioneer in sport diving. Through his underwater experiences, he realized that the diver's life depended on the reliability of his watch and knew that there was no suitable timepiece on the market. Accordingly, Blancpain mobilized its teams of watchmakers to solve the challenges posed by the measurement of time in an underwater environment.

The first point on the list was obvious: water tightness. This problem led Fiechter to design a double-sealed crown. Since the crown was not screwed down, the watch had to be protected from water potentially seeping in if the crown were to be accidentally pulled out during a dive. The presence of a second inner seal ensured the water-resistance of the timepiece.



Jean-Jacques Fiechter filed a patent for his invention. A second patent was granted to Blancpain for the sealing system on the caseback. One recurring problem with pre-existing case constructions was that the "O-ring" type gasket used to seal the caseback might become twisted when the back was screwed into the case and thus become incorrectly aligned. In order to eliminate this risk, Fiechter invented a channel into which the "O-ring" could be inserted and held in position by an additional metal disk.

The CEO of Blancpain then turned his attention to the development of a secure rotating bezel that would facilitate time measurement during dives. His idea was to rotate the bezel when the watch was immersed in water so as to place its zero index opposite the minute hand. This made it possible for divers to consult the time spent underwater using the minute hand to read markings on the bezel. Once again, safety was his core concern. Fiechter thus developed a blocking mechanism to prevent accidental malfunctions, such as unintentional rotation of the bezel, which could have dramatic consequences for the diver. A new patent was filed. Later, Blancpain introduced the unidirectional rotating bezel.

Legibility was another crucial factor, especially when diving in cloudy waters. This gave Jean-Jacques Fiechter the idea of endowing the Fifty Fathoms with a large diameter and bold white-on-black contrasts as well as luminescent hands and hour-markers. Finally, since Jean-Jacques Fiechter was aware that magnetic elements are an inevitable part of the diving environment, he equipped his timepiece with a soft iron inner case protecting the mechanism from the harmful effects of residual magnetism.

At the same time, a few hundred kilometers away, Robert "Bob" Maloubier and Lieutenant Claude Riffaud, founders of the French Navy's Combat Diving Corps, set out in search of a time-measuring instrument suited to their underwater missions. Together, they drew up a list of specific criteria that the timepiece in question would have to meet. The first tests with "water-resistant" watches of French brands were not conclusive. The timepieces were much too small, the dials were illegible and the cases did not ensure water resistance. They then learned that the head of a Swiss watchmaking company was testing a new watch model during his dives in the south of France and they arranged contact with Jean-Jacques Fiechter.

In early 1953, Blancpain was able to deliver an instrument to the French that met all their criteria and that they were able to test. The watch brilliantly passed all the tests and became an essential part of the equipment of the French Navy Combat Swimmers, then of other naval forces throughout the world. This unique timepiece, which bears the name Fifty Fathoms, thus became the first modern diver's watch.

Building on this exceptional heritage and under the impetus of its President & CEO, Marc A. Hayek, Blancpain celebrated the 50th anniversary of the Fifty Fathoms in 2003 at a spectacular event in Thailand, with a sneak preview of the 50th Anniversary Fifty Fathoms limited edition model. In 2007, Blancpain launched its modern Fifty Fathoms collection with three models, an automatic version equipped with a new movement offering a five-day power reserve, as well as a flyback chronograph and a tourbillon. The new Fifty Fathoms line combines the technical and aesthetic characteristics of the original 1953 model with the technological innovations developed by the Manufacture in the production of its movements.

#### The Writer by Jaquet Droz

The Age of Enlightenment saw the birth of wooden creatures with metallic entrails composed of cams and levers, imitating human behavior with overwhelming precision, seemingly endowed with their own imagination and performing apparently random movements.

Watchmaker Pierre Jaquet-Droz, well accustomed to producing timepieces equipped with horological complications, was a prodigious mechanical engineer, intellectual, friend of the philosophers of his time, and a great traveler.

The first automaton made by Pierre Jaquet-Droz was a "writer" android. An automaton because it contains the principle of its movement; an android because it takes on a human form; and a writer because it can write any text not exceeding the 40 characters of the Latin alphabet. It could be programmed and is thus often regarded as the first proto-computer in history. Pierre Jaquet-Droz gave it the form of a child seated on a stool in front of a small mahogany desk: he dips his quill into an inkwell and writes the chosen text. His eyes move, following the line of the text as the words take shape on the paper.

Among its 4000 components are three sets of forty cams each that determine the raising of the arm, the movement of the hand from right to left, and the dipping of the nib in the inkwell. Its mechanism is extremely complex and it is indeed the most complicated of the three Jaquet Droz androids, which is why its movement is slow and jerky.

Pierre Jaquet-Droz ventured into this project, of course, because he knew these machines were in vogue and could earn their designers a certain celebrity. His daring bid proved successful!

In the 18th century, during the performances of the *Spectacle Mécanique* (Mechanical Exhibition) alongside the Draughtsman and the Musician, the Writer elicited wonderment in European courts. He was supposed to write under dictation, but how did those giving the demonstration – and standing at a distance – manage to transmit the order to the machine?

Many theories have been put forward in this regard: magnetic force, transmission by a cable, even magic. The theatricality of their staging never failed to surprise the audience. It is moreover certain that the mechanism of this automaton, like those of the other androids, was only shown to a very limited circle of people. Today, these three mechanical masterpieces belonging to the history of horology are on display at the Neuchâtel Museum of Art and History, where public demonstrations never cease to amaze a public of all ages.

This Art of Wonder is still perpetuated today in the Jaquet Droz Fine Watchmaking Workshops. The brand continues to develop timepieces endowed with unique character and exceptional expertise, such as the perpetually surprising animated automaton models, as well as its *Ateliers d'Art* limited editions. Jaquet Droz has been cultivating a spirit of excellence and innovation for more than 280 years, transmitting values of emotion and poetry, while building its future day after day.







#### The Omega Watch That Predicted the Future

It was John F. Kennedy who famously challenged Americans to land on the lunar surface before the end of the 1960s. "We choose to go to the Moon," he declared, while speaking to a huge Texas crowd in 1962. "We choose to go to the Moon in this decade and do the other things, not because they are easy but because they are hard."

Of course, that bold challenge was met in July of 1969, when Neil Armstrong and Buzz Aldrin first stepped from the Apollo Lunar Module known as the Eagle. Sadly, President Kennedy did not live to witness that iconic moment but Omega was there, as the Speedmaster was strapped around the arms of the NASA astronauts' space suits. Space exploration, however, is not the brand's only link to President Kennedy. In fact, his connection with Omega actually began almost a decade before the first Moon landing.

In the lead up to the 1960 election, long before the result was assured, Kennedy – then a U. S. Senator from Massachusetts – received a unique Omega Slimline watch from his friend Grant Stockdale, a Democrat politician and businessman. On the back of the 18K gold rectangular case, Stockdale had these words engraved: "President of the United States John F. Kennedy from his friend Grant."

Stockdale was clearly confident that Kennedy was going to win. Of course, his bold prediction came true several months later, and the legend engraved on the caseback of the beautiful Omega timepiece proved to be prophetic.



In design, the ultra-flat watch was just 2 mm thick, driven by the Caliber 540 9", and featured a silvered dial with printed wire hour markers and gold baton hands. The flat bezel was polished and set with sapphire crystal, while the classic leather strap provided some added distinction to Kennedy's wrist.

Omega had launched the model in 1957; however, its legendary status was set when Kennedy wore the watch during his Inauguration Ceremony on the 20th of January 1961. Many photographs were taken that day, but perhaps the most special for Omega is a shot published by *Life magazine*, showing Kennedy – with the watch clearly visible – standing before the crowd with his wife Jacqueline looking up at him.

Jacqueline Kennedy also features in this story. When the Omega Museum acquired the historic watch in 2005, the auction lot also included two hand-written letters – one from Jackie Kennedy written in 1960 and another from the president in 1962. Both these letters included thanks to Grant Stockdale for his generous gift.

Jackie Kennedy wrote, "I wish you could have seen the joy in our faces. That is the thinnest, most elegant wristwatch. Jack promptly took off the chunky little one I gave him once – and I didn't mind a bit – as it looks like a Mickey Mouse watch compared to yours. He is so thrilled with it."

Kennedy's Slimline timepiece, the watch that foretold the future, can now be seen at the Omega Museum in Biel, Switzerland, where it highlights one of the most important moments in American political history.

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#### The Longines watches of Albert Einstein

The man who revolutionized our perception of space and time relied on a Swiss watchmaker for the daily management of time: Longines was Albert Einstein's favorite brand.

The 1921 Nobel laureate, whose theory of relativity laid the foundation for modern quantum physics, came to the United States in 1931 to conduct research at the California Institute of Technology (Caltech) during the winter semester. On February 16, 1931, he was invited by Rabbi Edgar Magnin to a gala dinner in Los Angeles, attended by representatives of almost all Jewish organizations. Einstein was seen as the hope for a new society in which people would be judged not on the basis of their religion, origin or accent, but on their achievements. For the universe did not care whether its laws were deciphered by a Catholic, a Protestant, a Muslim or an agnostic Jew. At the banquet in Los Angeles, Rabbi Edgar Magnin presented the physics genius with a Longines gold wristwatch bearing a personal engraving.

The "Personality of the Century" (*Time* magazine) often wore his elegant Longines with its 14K-gold barrel-shaped case when he sailed in his spare time, as shown in various photographs. The luminous Art Deco-style dial was equipped with a small seconds display whose shape reflected that of the case. The mechanical movement (cal. 10.86N) was manufactured in Saint-Imier in 1929 and cased up under license in the United States by Longines-Wittnauer, the American subsidiary at the time.

More than 50 years after Einstein's death in Princeton (USA) in April 1955, his watch reappeared in New York. On October 17, 2008, the auction house Antiquorum sold Einstein's Longines watch for US \$ 596 000 (approximately 687 000 Swiss francs at the time). The fully functional precision instrument was sold to a private Russian buyer.

Einstein also owned another Longines: a chrome-plated steel pocket watch (serial no. 66726615), which featured a refined dial and a small seconds display at 6 o'clock. This hand-wound watch (cal. 37.93) was manufactured in Saint-Imier on September 6, 1943 and sold to the Stahel watch store in Zurich on January 29, 1946.

The revolutionary physicist may have received this watch from a relative in Switzerland, because he never returned to Europe after 1933, when Hitler came to power. The Minister of Propaganda, Joseph Goebbels, had Einstein's works burned in the public burning of "non-German literature". Einstein would later state: "It is easier to denature plutonium than to denature the evil spirit of man."

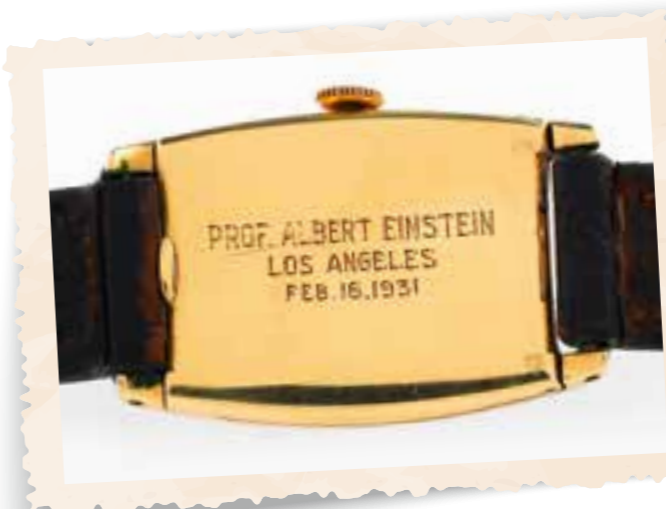


Einstein bequeathed his Longines pocket watch to his son Hans Albert. Elizabeth Einstein Roboz, Hans Albert's widow, then gave the watch to the Swiss diplomat Henry Bovay as a token of thanks for his efforts to preserve her father-in-law's memory. Bovay finally bequeathed Einstein's watch to the Historical Museum of Berne, where it remains to this day.

Thanks to this bequest, the watch has returned to the place where Einstein's creative impulse first arose. Born in Ulm, Germany, the scientist lived in Switzerland from 1895 to 1914 and received Swiss citizenship in Berne in 1901. After his studies at Federal Institute of Technology Zurich, Einstein accepted a position at the Swiss Patent Office in Berne as a "third-class technical expert". It was in the quiet capital that he developed his revolutionary ideas. In 1905 he published the special theory of relativity with the world-famous formula  $E = mc^2$  (energy equals mass times the speed of light squared). This theorem states that mass and energy are equivalent quantities that are interchangeable. In the same year, the "brain of the century" (German news magazine *Der Spiegel*) also formulated the light quantum hypothesis as well as explanations of the molecular structure of matter.

The pursuit of the general theory of relativity also began in Berne: in 1907 Einstein came up with the idea that the speed of light does not remain constant under the influence of gravity and that special relativity can only be valid in the weightlessness of space. Time is not a universal quantity because it passes more slowly when an observer moves extremely fast. Einstein noted that motion in space can also be considered as motion in time. Space and time influence each other, according to his conclusions, which are still valid today.

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**Tissot Watches: the drivers' choice**

In motorsports, victory or defeat depends not only on the talent of the driver, but also on the performance of the car. It's a world where passion, precision and technical innovation play a crucial role, just like at Tissot. The brand's motto, "Innovators by tradition", is an integral part of its DNA.

1958 marked the beginning of the long history between Tissot and motor racing. Harry Zweifel, the Swiss hill-climbing specialist and most popular Swiss racing driver at the time, sent Tissot a signed photo with the words: "Meine Tissot ist an jedem Rennen dabei" (My Tissot is with me at every race).

In 1965, to mark its attachment to motorsports, Tissot launched the Tissot PR 516, a particularly resistant (PR) watch with a perforated strap inspired by the car steering wheels of that era. This patented design, a world first, was greatly appreciated and subsequently imitated by many other brands. Following the success of its award-winning advertising campaign, the Tissot PR 516 became one of the most popular models in the brand's entire collection.

In 1973, Tissot entered the fray by sponsoring Alpine at the Monte Carlo Rally: this proved to be an excellent choice, as Alpine dominated the competition and won the first ever World Rally Championship.

In 1976, Tissot also became involved in Formula 1 and placed its hopes on the shoulders of Loris Kessel, a young driver from the canton of Ticino and a close friend of Clay Regazzoni. After proving himself in Formula 3 and Formula 2, Kessel had demonstrated on the Brands Hatch circuit his ability to compete in the premier category, where he made his debut that year.

During this period, alongside many other partnerships with prestigious teams such as Porsche, Ensign and Lotus, Tissot sponsored the Renault Alpine team not only in Formula 1, where Tissot was already present thanks to driver Loris Kessel, but also in the 24 Hours of Le Mans.

In 2015, Tissot renewed its partnership with Alpine for the World Endurance Championships (LMP2 category).

The 1990s also saw the brand show support for the Sauber-Mercedes and Porsche teams, with drivers such as Heinz-Harald Frentzen, Karl Wendlinger, Lilian Bryner, Enzo Calderari and Andrea Fuchs.

Like many drivers, Loris Kessel was first and foremost an engine freak. He had founded car dealerships in Ticino, along with a racing division and another dedicated to classic racing. This network was taken over by his son, Ronnie Kessel. In 2018, Tissot rekindled the flame of its alliance with the Kessel family by becoming an official partner of Kessel Classics, which owns a Tissot Formula 1 car from the 1970s, driven at the time by Clay Regazzoni and Jacky Ickx for Ensign. This black and yellow car has distinguished itself in competitions such as the Historic Grand Prix of Monaco, which it won in 2016.

To accentuate its longstanding ties with the world of motorsports, Tissot has chosen to reissue a chronograph from the 1970s from its Heritage collection. The Tissot Heritage 1973 displays the colors of the historic Tissot racing team. It is part of the partnership between Tissot and the classic racing team Kessel Classics.

True to the racing spirit of the 1970s, the 1973 Tissot is a chronograph shaped like an oval cushion with domed lines topped by sapphire crystal glass box. The seconds and chronograph hands are orange, while the hours and minutes are shown by white-tipped rectangular baton-type hands. The silver-toned dial features black counters and tachymeter flange, creating a "Panda" rendering that was very fashionable at the time and is once again in vogue today. The black calf leather strap with topstitching is a reproduction of the one Tissot invented and patented in the 1960s, with its characteristic perforations.



**The Hamilton Ventura: the icon and the superstar**

As Elvis Presley, in full U.S. Army uniform, emerges from an airplane on the runway of Honolulu International Airport at the start of the 1961 movie *Blue Hawaii*, there is one element of his attire that is noticeably not military issue. Like many U.S. servicemen of the era, Elvis's character Chad Gates sports a Hamilton wristwatch – but this is no rugged soldiering watch of the kind that inspired the modern Khaki Field collection. A futuristic arrow of gleaming white gold, it is a watch fit for a global megastar: the Hamilton Ventura, the world's first electric wristwatch. A true showpiece of new technology and visionary design in rippling white gold, the Ventura was a watch with a star power all of its own.

Hamilton watches have appeared on the silver screen on hundreds of occasions since 1932, when dashing Clive Brook sported an original Hamilton Flintridge in the biggest movie of that year, *Shanghai Express*. Whether on the wrist of Robert Wagner in *The Frogmen* or Will Smith as Agent J in *Men in Black*, the astronauts of *2001, A Space Odyssey* or Robert Downey Jr.'s Tony Stark in *Iron Man*, Hamilton has been a staple of cinematic starring roles for almost nine decades.

Perhaps it's little wonder that Hollywood would have a special affinity for the greatest historic name in American watches. But *Blue Hawaii* nevertheless holds a particularly special place on the rollcall of Hamilton's cinematic appearances – for the Ventura was a watch like no other, on the wrist of a star like no other. As the watch's asymmetric facets gleam on Elvis's wrist throughout the movie, it is a reminder that while he may be playing Chad Gates, a humble island boy looking for something more, he is indeed the King of Rock 'n' Roll.

The Ventura was one of the great achievements of America's post-war ascendancy. Following a decade's worth of research and development, Hamilton made history in January 1957 when it unveiled the world's very first electric watch movement, powered by a tiny battery within the movement itself. In the decade that launched the space age and the era of jet air travel, and that saw microchips, computer hard disks, photocopy machines and color TVs first appear, this was a product from the technological front line, and Hamilton needed a design worthy of such a momentous American advancement.

This came from Richard Arbib, a product designer whose far-sighted automotive concepts and household designs captured the futuristic mood with their streamlined fins and kinetic shapes. It was a time when science fiction had entered the American mainstream, and Arbib introduced it to watchmaking in the form of the Ventura's unforgettable style: a curving, asymmetric arrowhead with Art Deco fins and a zip of electricity zig-zagging across the dial. The Ventura was a sensation.

It was the most exciting watch of its age, and a natural choice for America's biggest star as his real-life military service came to an end in 1960 – just in time to make *Blue Hawaii*. Indeed, the King was said to be such a fan of the Ventura that he not only wore one himself, but also gifted several of this Ventura models to friends and family.

And of course, while *Blue Hawaii* sealed the Hamilton Ventura's legacy as a mid-century American icon, it was not the last time a superstar and a Ventura appeared on screen together. In fact, it was just the beginning. In 1997, the Ventura's sci-fi, out-of-this-world form made it the perfect choice to be reborn as the watch of



Will Smith and Tommy Lee Jones's sleek, suited-and-shaded *Men in Black*. And the modern Ventura has become not just the watch of cinematic alien hunters, but the choice of many design-savvy aficionados with an eye for the avant-garde.



# ART & PHILANTHROPY

Swatch Group practices its social responsibility passionately and intensely. The company, along with all its brands, is committed to a plethora of causes around the world, while giving priority to concrete and proactive action instead of mere words. Art is likewise a field of philanthropic expression for Swatch Group. Here is a non-exhaustive list of its various commitments:

The brands in the prestige and luxury range were actively involved in the *Only Watch* charity project in 2019. **Breguet, Blancpain** and **Jaquet Droz** once again took part in this international auction, organized by the Monaco Association against Muscular Dystrophy. First launched in 2005, the biennial event has enjoyed the support of several Swatch Group brands and the High Patronage of H.S.H. Prince Albert II of Monaco since its inception.

**Breguet** also continued its adventure with Race for Water in 2019. As main partner, Breguet is proud to support this foundation, which is committed to protecting the oceans from plastic pollution. In addition, Race for Water is also working on a solution for transforming and reusing plastic waste, centered on a high-temperature pyrolysis technology.

In the United States, **Harry Winston** continued to support key organizations in local communities through the *Harry Winston Brilliant Futures™* charity program. The brand also broadened its support for the Harlem Academy, an independent school in New York City that offers opportunities to promising students from disadvantaged communities, helping them thrive at the highest academic level. In addition to participating financially in the American Ballet Theater spring fundraiser in New York City, the House also supports the dance company in its efforts to promote diversity and inclusion. The brand is a partner in the Project Plié program designed help children and teachers from low-income and minority backgrounds. Harry Winston supported the Wallis Annenberg Center for the Performing Arts in Los Angeles,

California, which creates and presents performances and educational programs in theater, dance and music. In 2019, the House also continued its support for the International Paraplegic Research Foundation (IRP) in Switzerland, which is dedicated to improving the lives of people with spinal cord injuries.

**Blancpain** continued its partnership with Laurent Ballesta by supporting the fifth Gombessa expedition. This new submarine exploration mission took place during the whole month of July off the French coast, in the Mediterranean Sea. At a time when indisputable evidence is emerging in terms of climate change and the extinction of species, the discovery of new rich and virgin territories for observation resounds like a message of hope.

For the eighth consecutive year, **Glashütte Original** supported the Berlinale. It also served as the event's main partner for the third time. This year, the brand once again presented the Glashütte Original Documentary Film Award. During the 16th Dresden Music Festival, it honored violinist Joshua Bell.

**Jaquet Droz**, which has always been committed to the promotion of the arts, chose to support Muga & Ghost, two artists from its home town of La Chaux-de-Fonds. For the past three years, they have adorned the walls of various cultural and symbolic points around the world with huge frescoes.





Since 2011, **Omega** has proudly supported Orbis International in its fight against blindness around the world. The brand continued its commitment last year. By traveling aboard its Flying Eye Hospital to some of the most remote areas on the planet, Orbis is making a big difference on behalf of this worthy cause.

**Longines** and the NGO JustWorld worked closely together on various projects in 2019. Since the beginning of this partnership, the brand has helped fund JustWorld's programs, providing more than 300,000 meals to children around the world. This approach fills gaps in education, nutrition and care, addressing the urgent needs of hungry and sick children who are not in a position to learn properly.

**Certina** continued to support the Sea Turtle Conservancy, an association dedicated to the preservation of sea turtles, with research programs, education campaigns and concrete aid measures. The organization has been committed to these fascinating animals since 1959, the very year that Certina launched its DS Double Security concept with the turtle shell symbol. **Mido** again cooperated with the Chongqing Youth Development Foundation in China and organized a charity event in the city. Through the *Mido Library* project, the brand supports the construction of school libraries in disadvantaged areas. Last year, Mido chose to build a new library at the Gaotangchong Primary School and donated many books to it.

Confirming its enduring passion for art, **Swatch** served for the fifth consecutive time as main partner of the oldest and most prestigious international art exhibition, La Biennale di Venezia. Swatch also underscored its privileged relationship with China: in 2019, the brand invited four former artists in residence at the Swatch Art Peace Hotel in Shanghai to exhibit their work in the Swatch Pavilion at the Arsenale, the former historic shipyards of the Venetian Republic. After fruitful collaborations in 2018 with the Rijksmuseum in Amsterdam and the Thyssen-Bornemisza National Museum in Madrid, Swatch continued its creative journey with an exciting event at the Louvre in Paris.



## BIG BRANDS

# WATCHES AND JEWELRY RETAILING AND PRESENCE





swatch+

## A BIG & BOLD YEAR

### Trends

2019 can be defined as the Swatch year of boldness. In perfect sync with the overall trend of streetwear becoming the new standard for influencing lifestyle, every aspect of the brand's expression was influenced by a strong, powerful and emotional language, with a touch of positive provocation and a passion for surprising customers with new ideas. Big and bold messages caught the world's attention, transforming new products into new must-haves.

Love for individualism was again a need, an aspiration and a way to generate visibility and communication within the many communities that the digital world is helping to build every day. With Swatch X You design, Swatch is the only brand in the world to offer the possibility to create a custom watch "in real time". This unique system allows for flexibility and speed of execution, and the more provocative the subject, the more attractive it becomes for those who truly understand the Swatch spirit.

Harnessing this new power, Swatch embraced the challenge of injecting emotions, fun and authenticity into the digital world while making sure its stores were a real point of attention where collections, experiences, events and customer interfaces came to life. Unique POS project the brand onto the map of the market's most active players.

### Creation

Introducing newness every single day has driven Swatch since its creation: developing new techniques and design languages every season is vital to its development and success. In 2019, the introduction of several new treatments, particularly the "Anodamazing" and "solar spectrum" of the Swatch Gent and New Gent lines, generated massive interest.

The launch of the new Swatch Big Bold introduced a new standard and the collection developed in collaboration with the Japanese brand Bape® (A Bathing Ape®) was a global success. A limited edition set of six in a specially-designed box was eagerly sought by Bape® and Swatch fans alike.

Swatch SKIN Irony was launched in a new size (42 mm), adding a more masculine and resolutely sleek style language to this already very successful line.

The endless opportunities offered by the Swatch X You canvas project led Swatch to collaborate for the first time with one of the most prestigious design schools in the world: L'École cantonale d'art de Lausanne (ECAL), based in Switzerland. The five canvases selected by a jury from more than 200 developed by first-year students enjoyed tremendous success, particularly the unexpected and provocative "La fête du slip".

Two world-famous art institutions, the Louvre in Paris and the Biennale Arte in Venice were perfect partners and inspirations. The Swatch X Louvre collection consists of four designs, three of them masterpieces from the Museum and one a tribute to its iconic Pyramid. A Swatch design celebrating freedom and punctuality was launched on Bastille Day and joined in the fall by the Mona Lisa along with a king, a queen and a cupid – fun and irreverent takes on renowned museum artworks. At the Biennale Arte 2019, Swatch celebrated pop art with the limited edition Joe Tilson Venetian watch.





## Presence

### RETAIL & SALES

With an innovative and playful attitude, Swatch continued to provide high-end retail experiences through its POS. The year's highlight was the Flymagic, a limited edition that appeared in the world's most exclusive venues: in GUM Red Square, Moscow; at the Siam Paragon, Bangkok; and in a unique premium space in Beijing's SKP Mall. 2019 also saw the first Drive-Thru Swatch store in Biel/Bienne and the re-opening of the Oxford Street store in London, one of the world's most famous shopping landmarks. In Tokyo, local artists expressed themselves at the revamped Shibuya store. The launch of Big Bold brought new meaning to the brand's signature positive attitude, and the collaboration with Bape® was a phenomenal success, generating long lines at stores around the world. New store openings and relocations continued throughout the year. Hong Kong added a new Swatch store in Kai Chiu Road in the city's popular Causeway Bay shopping district. In Switzerland the Interlaken store reopened in a new location, premiering the first permanent space showcasing the Swatch X You design printing experience. The year also saw store openings at Seoul's Myeongdong shopping district, in Tokyo's high-density Shibuya, in Geneva and at Istanbul's giant new airport. The Vintage Capsule collection take on 1989's original Harajuku Swatch was launched at the Shibuya store and Bangkok's Siam Discovery mall.

Online sales consolidated growth and expanded across internet sales platforms. Swatch strengthened its digital presence through enhanced partnerships with such marketplaces as Amazon US and online fashion retailers like Mynta, Momoshop & La Moda. The brand secured and strengthened strategic relationships with big players including Tmall and JD in China and Zalando in Europe by extending collaborations to five additional markets.

The brand's mastery of the new retail experience concept was confirmed by the successful omnichannel launch of Swatch X Bape® and Big Bold and the roll-out of Click and Collect and other omnichannel services in France, the UK, Italy and Switzerland.

In e-commerce, markets continued to expand with new openings in Argentina, Thailand and Ireland while Swatch X You growth was driven by further roll-out to markets including the USA, China and Japan.

Work has begun on a re-platforming project designed to strengthen the digital business in the coming years.

### SWATCH & ART

#### Swatch Faces at Biennale Arte 2019

Passionately committed to art, Swatch served for an unprecedented fifth consecutive time as the main partner of the world's most prestigious international art exhibition, La Biennale di Venezia. British artist Joe Tilson created *The Flags*, a site-specific installation at the Giardini, one of the two main venues of the Biennale Arte. As always, Swatch highlighted its ongoing connection with China: in 2019 the brand invited four former artists-in-residence from the Swatch Art Peace Hotel in Shanghai to exhibit their work in the Swatch Pavilion at the Arsenale venue.

#### Festival Locarno

Swatch confirmed its support of emerging directors at the 72nd edition of the Locarno Film Festival, with the jury awarding Senegal's Mamadou Dia the CHF 15000 *Swatch First Feature Award for Baamou Nafi (Nafi's Father)*. *The Swatch Art Peace Hotel Award*, which includes an invitation to an artist residency in Shanghai, went to Mexican director Carlos Lenin for *La Paloma Y El Lobo (The Dove and the Wolf)*.



### ECAL/University of Art and Design Lausanne

The love story between Swatch and Art continued with Swatch X ECAL: the customization platform allowed customers to create their own personal Swatch by picking a favorite design and selecting a snippet from it.

### The Louvre

Following 2018's successful collaborations with Amsterdam's Rijksmuseum and the Thyssen-Bornemisza in Madrid, Swatch continued its creative journey with an exciting rendezvous at the Musée du Louvre in Paris. The Mona Lisa and other masterpieces went straight to the wrist, each with a typical Swatch twist.

### Art Week

Swatch X You gave rise to a new concept, Art Week, which affords high visibility to collaborations between Swatch and artists. From November, the first week of each month offered artists an opportunity to exhibit their work on the platform, allowing customers to make use of exciting new work to create individually customized Swatch watches.

### Flymagic

Swatch chose its Flymagic line to premiere the innovative Nivachron™ balance spring, made from a newly-developed titanium-based alloy with exceptional anti-magnetic characteristics: the new balance spring, finely-finished modules and skeletonized gear train all appear on the face of the watch, visible through the automatic movement's transparent rotor – the first time such a reversal has been performed with a Swatch. In a typical Swatch twist, the seconds hand runs backwards!

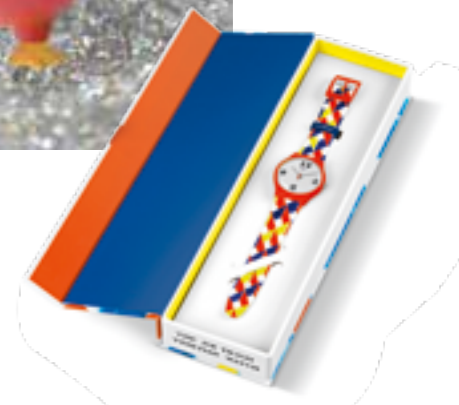
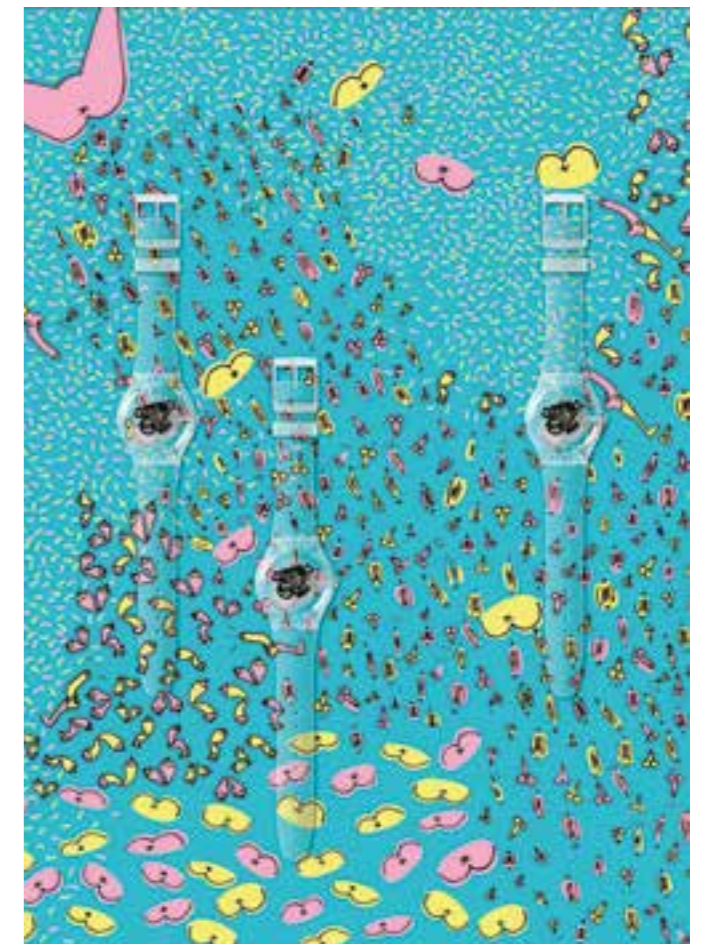
### Swatch Big Bold meets Bape®

Swatch collaborated with streetwear brand A Bathing Ape® for the successful launch of Swatch X Bape® with the new product line, Big Bold. Street culture met innovative Swiss watchmaking in six limited edition models, all featuring a newly designed signature Bape® camo pattern, the Ape Head logo and an enhanced Swatch logo recalling its origins in the 1980s. With a kick from urban streetwear, each Big Bold boasts a striking 47 mm watch case.

### ADVERTISING

#### SwatchPAY!

2019 saw SwatchPAY! watches launch in Switzerland followed by other markets including Russia, the Netherlands, and Germany. Colorful videos and playful mini-videos to be shared online were developed to promote the service.







**Flymagic**

Swatch built 360° campaigns around 2019's most compelling storylines. Flymagic's impressive – and surprising – innovations generated a buzz throughout the entire Swatch universe.

**Pigcasso**

The amusing Pigcasso campaign featured a 450-pound pig, the last animal in the Chinese zodiac cycle, but the first animal to paint (with her snout) a Swatch watch. Flying Pig By Ms. Pigcasso!

**SKIN Irony**

The Fall/Winter SKIN Irony campaign presented an extended product family with a new set-up and styles. The 42 mm diameter format has a new shape, still slim but sharper, with new proportions catering mainly to a masculine target audience.

**Swatch X Bape®**

Creative videos and visuals supported the launch of the very special and very successful launch of Swatch's Big Bold collaboration with contemporary streetwear label Bape®.

**Big Bold**

Swatch established a whole world to present the Big Bold collection in one big celebration, with the jubilant spirit the brand is known for. A colorful street with doll-like houses brimmed with lively characters dressed in their best for the block party underway. It was supported by key visuals for each watch, along with in-store visuals and videos. In the Fall/Winter collection, the watches were interlaced against Big Bold lettering and flashy colors.

**SWATCH CLUB**

2019 Swatch Club International highlight events included the Gold and Pioneer gathering in Bern, the launch in Lucerne of the limited and numbered edition of the Club watch, and a Club Holiday event in Budapest. In addition, a great number of local sports, art and lifestyle events for Club members took place around the world.

**SPORT**

Among the year's key events were the brand's return to the Laax Open World Snowboarding Championship, Europe's most important snowboarding event. 2019 also brought the 10th anniversary of Swatch Rocket Air, the iconic Swiss indoor dirt-jump and slope-style (Freeride Mountain Bike) event held at the ice rink in Thun. Summer saw a strong Swatch presence in Gstaad as big-time beach volleyball touched down in the resort's alpine sands for the 20th anniversary of the Major Series Gstaad tournament. Joana Heidrich and Anouk Vergé-Dépré, Swatch Proteam athletes launched their new Swatch watch. Elsewhere the Drone Racing League (DRL) hosted the first-ever Esports tournament in Las Vegas, with the brand highly visible at the HyperX Esports Arena for the 2019 Swatch DRL Tryouts.



Portrait of Lisa Gherardini, The Mona Lisa © Photo Rmn-GP (The Louvre Museum)/M. Urtado

Swatch worked with top athletes to co-produce action-packed videos: with pro freestyle skier and filmmaker Nico Vuignier for the innovative *Heatseeker* night-skiing video; with freerider Sam Anthamatten whose *Secret Spots* video series focused on lesser-known places to ski in Switzerland; and with freeskiier Cody Townsend in support of *The Fifty* project, which took viewers to the 50 most famous summits in North America.



SWATCH X PIGCASSO





# A PIONEERING YEAR

## Trends

Omega has built its iconic reputation on a pioneering spirit that continues to drive the brand today. In 2019, that spirit was in full view, with special celebrations of the past and new watchmaking creations that are the first of their kind.

The year began with a tribute to the pioneering 19-ligne "Omega" caliber of 1894, which gave the company its famous name. There was also the return of the revolutionary and legendary caliber 321, as well as the 50th anniversary of Apollo 11, when the Omega Speedmaster became the first watch worn on the Moon.

Of course, it wasn't all about history! Omega's modern pioneering spirit was highlighted when its incredible Ultra Deep watches reached a world-record depth in the Pacific Ocean. There was also the arrival of a game-changing new sports watch known as the Ultra Light – built with innovative features and materials.

As well as this, Omega crossed new waters with Alinghi, timed the first ever day-night golf tournament, launched a new alloy known as Moonshine™ gold, and loaded its watchmaking for a new mission with James Bond. Pioneering spirit at its very best!

## Creation

### 125th Anniversary

To mark the 125th anniversary of the Omega name, the brand unveiled two unique creations including the De Ville Trésor 125th Anniversary Edition – a watch crafted from 18K yellow gold with a red enamel dial. Additionally, an updated version of the famous 19-ligne "Omega" caliber was given a new lease of life for the 21st century. Using original movement components from its vaults, the watchmakers in Omega's Atelier Tourbillon recreated 19 of the famous movements for a new half hunter pocket watch.

### Caliber 321

The legendary caliber 321 was the first movement ever used in the Omega Speedmaster and is most remembered for its voyages to the Moon. In 2019, Omega brought the iconic movement back into production. After extensive research and reconstruction, the caliber 321 has now been reborn in line with its original specifications. The first watch to house the new movement was the Speedmaster Moonwatch 321 Platinum – a watch crafted from a special platinum alloy, with an onyx dial and three subdials made from moon meteorite.

### Apollo 11 Anniversary

Celebrating the 50th anniversary of the Apollo 11 Moon landing in 1969, Omega produced two incredible Speedmaster Limited Edition models. The first, limited to 1014 pieces, was made from new 18K Moonshine™ gold and was inspired by a very famous timepiece from Omega's history. The second model utilized stainless steel and 18K Moonshine™ gold, and its many Apollo 11 tributes included a golden image of Buzz Aldrin on the 9 o'clock subdial. Both of the timepieces were driven by the caliber 3861, which has brilliantly brought the famous Moonwatch movement up to the Master Chronometer standard.

### Ultra Deep

When the explorer Victor Vescovo completed a world-record dive to the ocean's deepest point in 2019, three of the new Seamaster Planet Ocean Ultra Deep watches were attached to the outside of his submersible. These pioneering timepieces were built from grade 5 titanium, with unrivalled innovation and underwater ingenuity that allowed them to survive the crushing pressures of the sea. It was Omega engineering at its finest!





**Ultra Light**

Designed for total sporting comfort, the Seamaster Aqua Terra Ultra Light was launched in 2019. Lightweight, unobtrusive and eye-catching, the ergonomic grade 5 titanium timepiece weighs just 55 grams on its sporty fabric strap. With a telescopic crown and Omega's first-ever titanium movement, it has proven to be a breakthrough for athletes who want to wear a watch when they train and compete.

**James Bond**

As the next James Bond film approaches, Omega has been busy creating some suitably stylish watches. For the spy himself (and customers), there is a new Seamaster Diver 300M James Bond, created with the help of Daniel Craig. The watch is made from grade 2 titanium with a special mesh bracelet, vintage colors and military engravings. Fans can also buy several tributes to the 50th anniversary of *On Her Majesty's Secret Service*, including a Seamaster Diver 300M James Bond Limited Edition model, limited to 7007 models with plenty of secret details. Alternatively, fans can get a set of two similar watches, one in stainless steel and one in 18K yellow gold, presented inside a unique Globe-Trotter™ suitcase.

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**Presence**

**SPORTS PRESENCE**

**Omega European Masters**

For the 19th time since 2001, the brand fulfilled its role as title sponsor of the Omega European Masters in Crans-Montana. Rory McIlroy, Sergio Garcia and Tommy Fleetwood joined the action and also took part in a special Pro-Am tournament with Omega's invited celebrities. These five special guests, Justin Timberlake, Niall Horan, Dennis Quaid, Anthony Mackie and Michael Pena, also stepped onto the stage at a vibrant evening celebration in the mountains, where the new Seamaster Aqua Terra Ultra Light was on display.

**Tokyo One-Year Countdown**

To mark one year until the next Olympic Games, an official Omega countdown clock in Marunouchi Central Square in downtown Tokyo was unveiled as were two commemorative watches, including a Seamaster Aqua Terra inspired by the Tokyo 2020 emblem and a Seamaster Planet Ocean paying a nice tribute to the Japanese flag. Both were limited to 2020 pieces.

**Partnering with Alinghi**

Omega and Alinghi officially joined forces in a brand-new sailing partnership in 2019. Signing the agreement were both Raynald Aeschlimann and Ernesto Bertarelli, founder and skipper of the double America's Cup winning team. The two brands are proudly Swiss and their announcement came just in time for the launch of the GC32 season in Villasimius, Italy.

**International Golf**

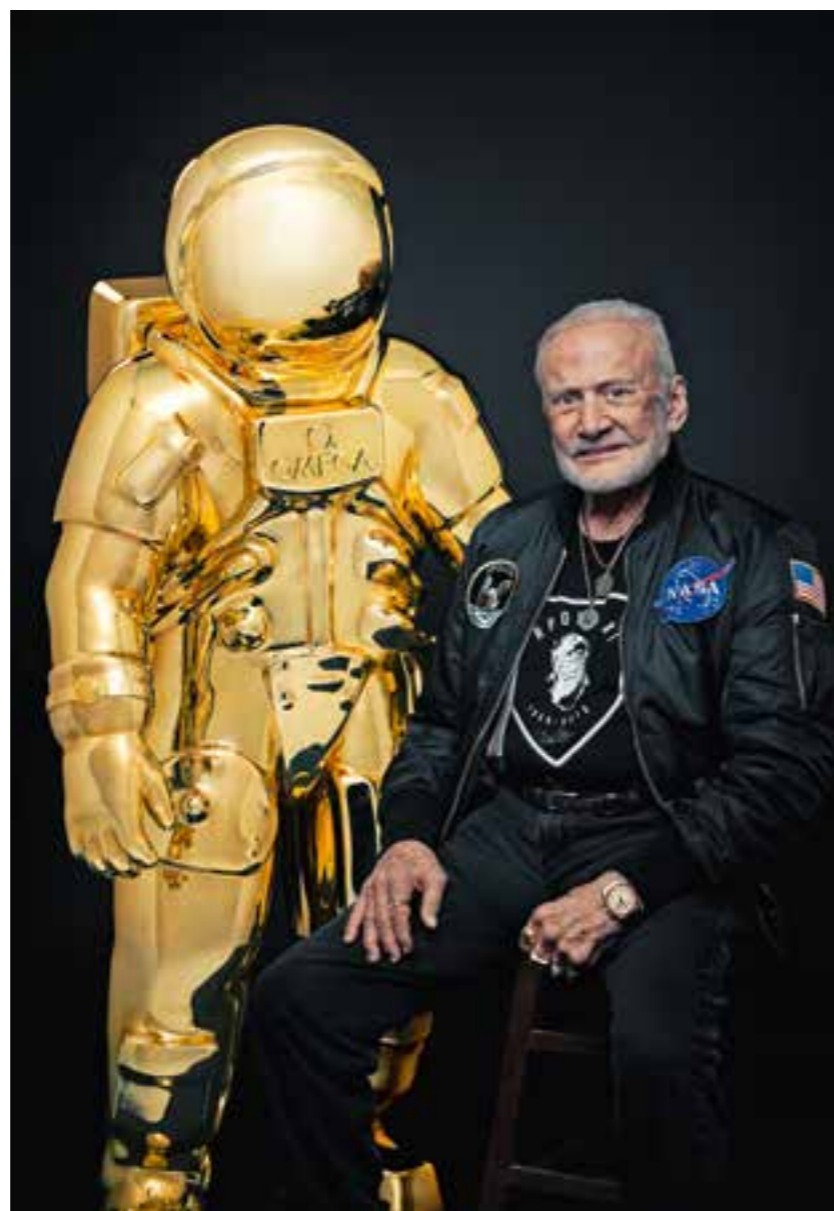
The golfing year began with the Omega Dubai Desert Classic in January, which was followed in May by the new Omega Dubai Moonlight Classic, a women's tournament, which is the world's first professional day-night golf event. Finally, the PGA Championship was held at Bethpage Black Course in New York, where Omega was on the course as the Official Timekeeper.

**OTHER SPORT EVENTS**

As part of its busy sporting schedule, Omega also served as Official Timekeeper at the IAAF Diamond League, as well as the FINA Champions Swim Series, the 18th FINA World Championships, and the FINA Swimming World Cup. In Skeleton and Bobsleigh, Omega continued as the Official Timekeeper of the IBSF and gave a special group of celebrities their own fast-paced experience down the 1722-meter track in St. Moritz.

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## LIFESTYLE PRESENCE

### 125 Years of Omega

Celebrating the 125th anniversary of the Omega name, guests were taken back in time in January at a historical event at the Omega Museum in Biel. It was a chance to relive the brand's most famous heritage moments, marvel at the industry-changing 19-ligne "Omega" caliber of 1894, and discover a glimpse of two new history-inspired creations.

### Golden Moments

In 2019, the Golden Astronaut was Omega's shining symbol of the Apollo 11 50th anniversary. It was seen throughout the world, from events to boutiques, and was even spotted on social media with some very famous friends. In May, the celebrations continued as George Clooney and NASA veterans, including Charlie Duke and Tom Stafford, joined Omega at the Kennedy Space Center for a galactic evening gala. Omega also treated guests to several day-time talks with space and exploration legends including Nicole Stott, Terry Virts, Jean-François Clervoy, Sam Cossman and former NASA engineer Jim Ragan.

### Speedy Tuesday

To connect with Moonwatch fans around the world, Omega went on a unique Speedy Tuesday tour in 2019, bringing the story of the iconic Speedmaster to a global audience. The events were partnered with Fratello Watches, and included special guest speakers and former astronauts such as Charlie Duke, who recounted their own memories of space and the Moonwatch on their wrists.

## Planet Omega

When the exciting new Planet Omega exhibition made its world debut at the Power Station of Art in Shanghai, Eddie Redmayne was there to officially open the doors. Together with the charming English actor, guests were able to explore the wide array of time-pieces and passions that set Omega apart. The seven distinctive topics of the exhibition included Olympic Games & Sports, Space, Glamour, Precision, Ocean, James Bond and Heritage.

### Five Deeps Expedition

In May – as part of his Five Deeps Expedition whose objective was to map and visit the bottom of all five of the world's oceans – Victor Vescovo completed a record-breaking dive of 10928 m (35,853 ft.) to the bottom of the Pacific Ocean – going deeper than any human before. Partnered by Omega, he successfully piloted his deep submergence vehicle to the bottom of Challenger Deep with three Ultra Deep watches attached to the outside. At a press conference in London in June at the British Museum, Victor shared his story with guests and gave a unique insight into the pioneering timepiece.







### New Omega Museum

The Omega Museum changed locations in 2019, moving across the road to the striking new building designed by Shigeru Ban. In the revamped interior, the museum brings the Omega story to life through immersive movies, compelling displays and fun interactive experiences. Among the attractions, visitors can run on a nine-meter athletics track, walk across a lunar surface, and explore a 50 m steel bracelet made up of 64 windows through which the brand's treasures are revealed.

### James Bond

With the next exciting 007 film on its way in 2020, Omega got itself mission-ready with some big events and some brand-new timepieces. To showcase James Bond's new military-style Seamaster for *No Time To Die*, the brand hosted a spy-inspired night at the Boom Boom Room in New York with Daniel Craig, Michael G. Wilson and Barbara Broccoli. In October, invited media were also taken behind the scenes on the set of the film at Pinewood Studios in England, where a few undercover secrets were revealed.

### OTHER MARKETING

#### Omega Online

2019 was Omega's best ever year for online traffic. This was particularly helped by the Apollo 11 50th anniversary activations, and the brand saw increases to its strong position in China and Asia and important growth in the USA and UK. In April, Omega launched its second e-commerce market, this time in the UK. Sales are already very encouraging, while the existing e-commerce market in the USA is stronger than ever. Adding further support to these sales, Omega is now selling NATO straps online in 16 European countries. And finally, a new section called "Chronicle" was also added online, detailing Omega's rich history and important milestones since 1848.

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 and more influencer engagement. Omega reached 2.8 million Instagram followers, with the Apollo 11 posts proving to be the most powerful and successful campaign. Regular newsletters also kept fans informed of the brand's activities.

#### Advertising and Promotion

The year's Omega advertising began with global coverage of the new Constellation ladies' watches. The campaign featured Cindy Crawford, Nicole Kidman, Alessandra Ambrosio and Liu Shishi, who all appeared in a major promotion across TV, cinema, print, outdoor, digital and in boutiques. A campaign on a similar scale was created for the Apollo 11 50th anniversary celebrations, this time featuring Buzz Aldrin, George Clooney and Charlie Duke in a series of intimate moonlit portraits. Clooney and Duke also made a memorable short documentary, filmed at the Kennedy Space Center, where they shared their memories of 1969. Towards the end of the year, Omega then began an "Essentially" campaign, focusing on some of the brand's most beautiful and in-demand timepieces. There were also tactical promotions for the Five Deeps Expedition, Emirates Team New Zealand, Alinghi and the PGA Championship.



### FINE JEWELLERY

As always, Omega's selection of Fine Jewellery was inspired by its universe of iconic watch designs. The year saw the release of new rings, bracelets and necklaces in the Omega Flower Collection, including an 18K red gold necklace with carnelian cabochon – and a matching bracelet with additional cabochons in mother-of-pearl. The same designs were available in 18K white gold with turquoise cabochons. 2019 also featured men's rings, bracelets, cufflinks and key holders, all produced with such bold materials as stainless steel, rubber, ceramic, titanium and carbon.



## BREGUET, WATCHMAKERS SINCE 1775

### Trends

Tireless innovation is the credo that has characterized Breguet since its founding 244 years ago. Always at the forefront of technology, the Maison once again unveiled outstanding models in 2019. Participating in the first edition of *Time to Move* alongside the other prestigious Swatch Group brands, it presented its new products in a completely redesigned setting. Retailers enjoyed a first taste at the preview in Zurich. The press was then invited to the Manufacture in L'Orient, for a total immersion into the brand universe. The venue was ideal for showcasing the year's flagship watch, the Classique Tourbillon Extra-Plat Squelette, which was acclaimed by the readers of the Italian magazine *L'Orologio*, who awarded it the Watch of the Year prize in the "Tourbillon" category.

The marine world continued to permeate the Breguet year 2019 through numerous events around the world. It is worth recalling that the Maison has given a new face to its Marine collection by completely rethinking its aesthetic codes. Distinguished by its resolutely modern and dynamic appearance, this line was completed in 2019 with ladies' models. Reflecting this theme, Breguet continued its partnership initiated in 2018 with Race for Water, for which it serves as main sponsor. It is committed to supporting this Foundation dedicated to the preservation of the oceans and whose project is based on an odyssey traveling the globe until 2021.

The House also continued to develop its distribution network, with the opening of four new boutiques. After the Ginza district, it opened two new showcases in Tokyo's famous Isetan Shinjuku and Nihonbashi Mitsukoshi shopping centers. Seoul welcomed its

fourth store in the heart of the Hyundai Trade Center mall. The year ended with a European opening in Düsseldorf, Germany's first Breguet boutique.

### Creation

#### **Classic 5177**

In 2019, the Manufacture presented the "Breguet blue" for the first time in Grand Feu enamel adorning the dial of its Classique 5177 model. This unique shade affirms the Maison's distinguished and understated style, which elegantly highlights the timeless Breguet hands and numerals. In addition to the time indication, this white gold model displays the date.

#### **Classique Tourbillon Extra-Plat Squelette 5395**

After the *guilloché* and *Grand Feu* enamel versions, Breguet has chosen to skeletonize its Classique Tourbillon Extra-Plat. Demonstrating authentic technical prowess, the House has removed nearly 50% of the material from its 3 mm thick gold caliber, literally playing with the limits of physics. This technical as well as artistic feat gives pride of place to the engraving, *guilloché*, and beveling crafts cherished by the Manufacture. Although the caliber has been redesigned, it continues to offer a comfortable 80-hour power reserve, thanks to a "high energy" barrel. This timepiece is available in two variations, with a gray movement housed in a rose gold case, or with a pink movement in a platinum case.

#### **Classique 9068**

Presented for the first time with a natural white mother-of-pearl dial, the Classique 9068 offers a reading of the time and date on a face evoking delicacy and refinement. Its case in white or rose gold is all the more striking in that it features brilliant-cut diamonds on the bezel and lugs. Adding a subtle finishing touch, the crown is topped with a blue sapphire cabochon for the white gold version and a ruby for the rose gold iteration.

#### **Marine 5517, 5527 and 5547 on a titanium bracelet**

In 2019 Marine asserted its elegance in the field of sporting performance. From the case to the bracelet, Breguet has chosen to attire the Marine 5517, the Marine Chronographe 5527 and the Marine Alarme Musicale 5547 in titanium. It pairs this material, renowned for its strength and lightness, with a sunray-patterned slate gray dial in gold. The understated refinement of these shades of gray accentuates the contemporary character of the line.







**Marine Dame 9517 and 9518**

The Manufacture enriched its Marine collection with pieces dedicated to women, inspired by the world of the oceans. A specialist in the art of *guilloché*, Breguet has created an original motif representing the fluidity of waves and evocatively named "maree". This daintily curved design elegantly adorns the dials of the white or rose gold versions whose bezel is set with brilliant-cut diamonds. Depending on the model, the gem-set oscillating weight is adorned with *guilloché* mother-of-pearl. The Manufacture also offers this model in gem-set or polished steel, a dial in white natural mother-of-pearl or in a completely new blue-lacquered variation.

**Reine de Naples 8918**

In 2019, Breguet presented a new Reine de Naples decked out in an entrancing shade of red. Crimson arabic numerals grace the white mother-of-pearl chapter ring. The *guilloché* gold dial features the famous Breguet open-tipped hands. The feminine notes are accentuated by the gem-setting adorning the bezel and flange with more than a hundred diamonds, complemented by a sumptuous pear-shaped diamond placed at 6 o'clock.

**Reine de Naples 8967**

A second model was added to the iconic Reine de Naples collection in 2019. It is distinguished by a deep blue dial, with turquoise volutes, crafted using lacquer. The Breguet 6 and 12 o'clock arabic numerals at the top and bottom of the dial are painted in white relief. This steel creation featuring an entirely original face is teamed with a blue denim fabric strap.

**Reine de Naples 8905, Valentine's Day limited edition**

On the occasion of the lovers' celebration, Breguet unveiled a Reine de Naples model dressed in shades of pink and purple, highlighted with diamonds. Its dial is made of iridescent pale pink mother-of-pearl. A moon and stars in white gold find their place on the darker pink background of the moon phase. A pink sapphire cabochon, set on the crown, enhances the composition, as does a diamond setting on the bezel and flange. The hours and minutes in Roman numerals are displayed on a circular satin-finished chapter ring, encircling a *Clous de Paris hobnail guilloché* pattern. The off-center small seconds subdial features a *flammé guilloché* motif. The Manufacture presents its 28-piece limited edition on a purple alligator leather strap.



**Classic 7145 "Year of the Pig", Chinese New Year limited edition**

The House celebrated Chinese New Year with a timepiece featuring the zodiac sign of the year. The dial of the dedicated model thus displays the head of a pig, one of the 12 emblematic animals forming the calendar. To depict it, the Manufacture opted to combine three of its particularly cherished crafts: engraving, *Grand Feu* enameling and *guilloché*. This particularly slender model houses a movement measuring just 2.4 mm thick and is issued in an eight-piece limited edition with a blue leather strap.



**Presence**

**Breguet, a passion for the sea**

Presentations of Breguet's new Marine line punctuated the whole of 2019. In London and Barcelona, the latest timepieces in the collection were celebrated in a resolutely marine spirit, in the presence of a member of the Race for Water crew. The same themes were also highlighted during festivities in Kuala Lumpur, Seoul and Singapore, as well as in Malibu near Los Angeles. The last maritime event of the year took place in Dubai, which Race for Water will reach in time for the 2020 World's Fair.





**Breguet, sharing an invaluable heritage**

As a key player on the watchmaking scene, the House makes it a point of honor to continually share its rich heritage with the general public.

In Shanghai, for example, it showcased its brand universe in an exhibition called Breguet World, which was held in its Langham boutique. Offering a true immersion into its universe, the Manufacture shared with visitors its unique know-how through its essential crafts, as well as its inventions, including the tourbillon. The latter was once again honored at the famous Tourbillon Day held on June 26, the date on which Abraham-Louis Breguet filed the patent in 1801. Festivities relating to this complication took place in several boutiques around the world, including Geneva, London, Hong Kong, New York and Shanghai. It was in this city that the Chinese version of the book *Breguet, watchmakers since 1775* was launched. Its author, Emmanuel Breguet, highlights the brand's fabulous history and reviews the significant events that have made it famous to this day. In the United States, the House paid tribute to the most influential figures in the media during an evening organized by *The Hollywood Reporter*. The brand was also in the spotlight at the *WatchTime* watch exhibition in New York. In addition, Breguet took part in other shows such as *Passion des Montres* in Luxembourg, *Watch Out* in Oslo and Stockholm and *SEW* in Prague.

The Marine theme was also expressed through exhibitions in Europe and China. The Place Vendôme boutique hosted the retrospective "Breguet, Watchmaker to the Royal Navy", featuring several historical models. The Maison then looked back on its strong ties with the world of the sea at the Hamburg International Maritime Museum. The Chinese cities of Hangzhou and Chongqing unveiled a temporary exhibition also dedicated to this rich theme. In the coastal city of Lerici, Breguet organized a regatta for its Italian customers, who later enjoyed a chance to view the new Marine models.

**Breguet, an enduring love of art and culture**

In 2019, the House continued its commitment to the artistic and cultural communities with its presence at the Glyndebourne Festival. As a main sponsor, it invited its guests backstage at the English event before the performance of the festival's keynote performance of *Cinderella*. For several years now, Breguet has also been one of the main patrons of Teatro Real de Madrid, where this year it took part in a performance by tenor Jose Bros and soprano Ruth Iniesta, much to the delight of the music lovers present. It should also be noted that it remains a partner of Carnegie Hall, a major center of musical culture in New York, and that it continues its commitment to the Geneva International Music Competition, which supports the development of young classical music talents. Breguet also enjoys a less well-known yet close link with the automobile world. In the 1930s, the Maison designed a series of dashboard chronographs for Bugatti cars. One of these models – reacquired by the Manufacture in 2016 – was presented at the "Incomparable Bugatti" exhibition at the *Cité de l'Automobile* in Mulhouse. The House also took part as a main sponsor in the London City Competition, a key automotive event held in the heart of London.

The year was also marked by Breguet's new participation in the Only Watch charity project. For the occasion, it proposed an aesthetically and mechanically faithful re-edition of its 1950s Type 20 pilot chronograph. This one-of-a-kind model was auctioned by Christie's for a price well above its initial estimate.







HARRY WINSTON®

## THE KING OF DIAMONDS CONTINUES ITS INCREDIBLE REIGN



opportunity to its wearer – as well as a variation of its classic cluster motif with Berry Cluster. For bridal, a capsule collection of six one-of-a-kind rings, entitled Bridal Couture, traveled the world and helped promote the true craftsmanship and individuality of a Harry Winston engagement ring.

For timepieces, the House introduced novelties including the sleek Emerald timepiece in a larger case size, the incredible Micromosaic Metier d'Arts, and the Histoire de Tourbillon 10, with its four distinct tourbillons, marking a monumental conclusion to the series' renowned saga.

The year 2019 also marked the 20th anniversary of the Avenue Collection. To honor the occasion, the Brand introduced four new Avenues, including a limited edition anniversary model, with a moon phase complication.

As the legendary "Jeweler to the Stars", the House continued to loan its most marvelous jewels for star-studded events around the world, including the highly anticipated MET Gala, where actress Jennifer Lopez wore the Purple Dragon Necklace – a 65.32 carat cushion-cut purple sapphire pendant surrounded by a cluster of diamonds – resulting in one of the most talked about red carpet moments of the year.

Furthering its commitment to rare jewels of the world, the House hosted a series of intimate high jewelry events in key markets including China and New York, and unveiled its new setting for the Rockefeller-Winston Emerald – a superb 18.03 carat emerald that was once the property of the famed Rockefeller family.

Harry Winston also strengthened its global visibility through the debut of a new advertising campaign that depicts the House's fine jewelry and timepiece collections against a navy blue backdrop, grounded with its iconic black and white starburst motif. The new visual pays homage to the Harry Winston's rich heritage, as the celestial design first appeared in its New York City flagship location on Fifth Avenue. Additionally, the House expanded its digital footprint and introduced LINE, a social network platform in Japan that provides a new way of communicating with its clientele throughout the region.

With the opening of three new salons, including the Brand's ninth location in Japan, and the renovation of two existing locations, Harry Winston grew its global retail network, and introduced the Brand to more luxury consumers worldwide.

In looking toward the future, the House will continue to seize opportunities that underscore its rich heritage and bring its unparalleled qualities to the forefront.

### Trends

In 2019, under Chief Executive Officer Nayla Hayek's direction, Harry Winston took the themes of luck and love; artistry and innovation; and rarity and creativity, and used them as a way to revitalize and bring new life to its time-honored aesthetic. At the intersections of these themes, the Brand saw opportunity and more importantly, a rich narrative to help drive its message, guide its future and ensure its enduring legacy as the "King of Diamonds".

Throughout the year, the Brand invested in its key pillars and the areas that will help drive its business forward. As one of the most prestigious fine jewelry and timepiece brands, the House continued to introduce one-of-a-kind designs and new collections that brought a fresh variation to signature Winston design, while also furthering its investment in large, magnificent stones. In addition, 2019 saw the expansion of its retail distribution network with new points of sale in the most prestigious locations, and the launch of a global marketing campaign that delivered impactful brand messages to larger audiences around the world.

On the jewelry side, the Brand continued to promote and expand its high jewelry collections – New York and Winston Candy – with adequately themed events in its salon communities, as well as its iconic, unique rare jewels. For collections, the House unveiled Winston Gates, a contemporary line of daytime jewels that celebrate the signature rosette motif that adorns the entryway of Harry Winston salons – a symbol meant to bring positivity and





**Creation**

**Winston Gates**

Winston Gates is a contemporary collection of personal jewels that carries a message of positivity and radiance. The striking rosette motif was originally selected by Mr. Winston as a symbol of optimism, opportunity, prospect and good fortune for the entryway of his 718 Fifth Avenue Salon. Comprised of a medallion pendant, earrings, bracelet and ring, the collection features a perfectly sculpted 10-petaled rosette rendered in platinum, 18K yellow or rose gold and set with a round brilliant diamond center stone. Framed by a circular array of pave diamonds, each stone is meticulously hand-selected and follows the superlative quality and craftsmanship that has been synonymous with the House for nearly a century.

**Bridal Couture**

Entitled Bridal Couture, the House introduced a new capsule collection of diamond engagement rings inspired by the extraordinary intricacies and elements of a bespoke wedding gown and that celebrate the beautiful artistry behind the great bridal ateliers of the world. Honoring the magnificent design process behind these two arts, the new Bridal Couture Collection positions various diamond cuts in unique, imaginative settings, and complements the signature elements of a bride's wedding day ensemble.

**New York - Fifth Avenue**

New York City has always been an unyielding source of energy and inspiration for Harry Winston, both culturally and creatively. It is the city where Harry Winston first opened his doors, and along with his team of renowned designers, began to revolutionize modern jewelry design. Since then, each generation in the Winston design studio continues to find inspiration within this remarkable city – a city that not only celebrates, but also encourages different cultures and ideas to come together.

A bejeweled love letter to the landmarks, neighborhoods and nuances that helped to shape Mr. Winston's life, in 2018, the House introduced its New York Collection, and in 2019 continued this nostalgic saga, with the unveiling of Fifth Avenue.

**Winston Candy**

In 2019, the House continued to expand its lively Winston Candy collection, with new one-of-a-kind cocktail rings that feature magnificent, vibrant gemstones and underscore the House's longstanding commitment to the rarest, most exceptional jewels of the world.



**Harry Winston Emerald Collection**

Building upon its success, in 2019 Harry Winston expanded its elegant Emerald timepiece collection to include models in a larger 33 mm case size. The distinctive octagonal case shape and unique dial were inspired by Mr. Winston's favorite diamond cut: the emerald cut. Contemporary yet classic, the stylish novelty, available with an automatic or quartz movement, features a bold octagonal case that is highlighted by beveled edges and a lustrous shine. Like a faceted gemstone, the sloping sides on the dial add depth and volume. Taking the emerald motif a step further, the classic gold Harry Winston logo at 12 o'clock is balanced by a beveled date window at 6 o'clock.

**Histoire de Tourbillon 10**

Having previously used tourbillons with single, double or triple axes, combined (or not) with single or double tourbillons or a carousel, Harry Winston's latest creation makes a big impression with a new achievement in watchmaking. For the first time ever, a wristwatch produced as a series is equipped with four tourbillons. This achievement, which translates into an equally impressive design, represents a milestone in the story of the Histoire de Tourbillon collection.

Histoire de Tourbillon 10 marks the 10th anniversary of the Harry Winston collection, dedicated to the reigning complication in contemporary fine watchmaking. A decade of perseverance and innovation has pushed the boundaries of what the tourbillon can do. This year, the collection culminates in two timepieces – 10 of each – and a special edition Winstonium model, limited to just one unique piece.

**High Jewelry Timepieces**

As the "King of Diamonds", it is only natural that the House would unveil a series of exquisite high jewelry timepieces. The 2019 presentation included the Premier Hypnotic Opal Mosaic and the Precious Emerald.

The Premier Hypnotic Opal Mosaic, crafted in luxurious 18K white gold and set with a profusion of baguette-cut diamonds and vivid blue sapphires against a hypnotic, iridescent opal background, diffusing color and kinetic energy in all directions.

The Precious Emerald, which recreated motifs that are dear to the House, flaunts a stunning platinum bracelet set entirely with marquise-cut diamonds for a dazzling touch of red-carpet glamour.







**Presence**

**Salon Openings**

In 2019, Harry Winston expanded its retail distribution network through the opening of three new salons including Monaco, Porto Cervo and Shinjuku, as well as the renovation of its South Coast Plaza and Beijing Salons.

**Red Carpet**

Harry Winston's exquisite fine jewelry and timepiece collections continued to adorn Hollywood's brightest stars, including Nicole Kidman, Naomi Watts, and Gemma Chan, among many others, at the most acclaimed events of the year. From the Golden Globes, to the Academy Awards, to the Beijing International Film Festival and the Hong Kong Film Awards, in 2019 Harry Winston jewels were prominently featured on red carpets worldwide.

**Philanthropy**

Harry Winston continued to support leading organizations in local communities through the Harry Winston Brilliant Futures™ Charitable Program.

Harry Winston expanded its support for Harlem Academy – an independent school in New York City that provides opportunity for promising students, guiding them to thrive at the highest academic levels and one day make a mark on the world. In addition to the rigorous middle school science program, Harry Winston is supporting the development of Harlem Academy's new school building, which will provide a permanent, state-of-the-art facility to enable many more children to benefit from an education.

American Ballet Theatre (ABT) is dedicated to creating, preserving and extending classical dance through performances and educational programs of the highest quality. In addition to providing lead support for ABT's signature spring fundraising event in New York City, the Brand helps ABT further expand its diversity and inclusion efforts by underwriting the Project Plié program, serving children and teachers from low-income, underrepresented communities with dance scholarships and training programs.



Harry Winston supported the Wallis Annenberg Center for the Performing Arts in Los Angeles, CA, which creates and presents unique performing arts events and educational programs within theatre, dance and music. *GRoW @ The Wallis*, the Center's renowned arts learning program, features performances and workshops for thousands of students and adults from underserved communities.

In 2019, Harry Winston continued to support the International Foundation for Research in Paraplegia in Switzerland, which is dedicated to improving the lives of people affected by injuries to the spinal cord. The Foundation's work includes encouraging young scientists and promoting the exchange of information between researchers in Switzerland and abroad.







# AUTHENTICITY AS A LEGACY

## Trends

Under the leadership of its President & CEO Marc A. Hayek, Blancpain had a record year 2019. The Maison once again distinguished itself with its authentic vision of luxury. A discreet luxury that is experienced rather than seen. Far from the hustle of Baselworld, the brand chose to unveil its new products to its retailers in the context of an exclusive private exhibition. Meanwhile, members of the international press enjoyed the privilege of a unique immersion into the heart of the Manufacture Blancpain, whose production sites are spread between the Swiss villages of Le Sentier and Le Brassus, in the Vallée de Joux.

Mastering all aspects of production, the Maison is one of the few to design and produce all its movements in-house. Its likewise integrated finishing and *Métiers d'Art* workshops enjoy the same independence. The historical building that houses them in Le Brassus, known as *La Ferme*, was renovated in 2019. The creation of a showroom, the refurbishment of the reception areas and various lighting improvements are just some of the changes that were made in order to guarantee visitors an unforgettable experience.

It is in these ideal conditions that Blancpain implements its expertise. The brand expanded its collections in a refined and authentic spirit. The Villeret line welcomed new creations faithful to the emblematic attributes of the collection. The Manufacture introduced an array of new possibilities in the Women range through configurable models teamed with straps in various colors. On the Fifty Fathoms side, vintage was in the spotlight. The 2019 flagship timepieces distinguished themselves by exuding a strong aesthetic identity, inspired by the first generations of divers' watches produced by Blancpain.

The Fifty Fathoms' name is linked to Jean-Jacques Fiechter, Blancpain's CEO from 1950 to 1980. In a documentary film produced in 2019 by Blancpain, the passionate nonagenarian looks back at the origins and evolution of this unprecedented time measuring instrument. The film also tells of its rebirth in the 2000s, under the impetus of Marc A. Hayek. A skilled diver himself, Blancpain's President and CEO speaks about the brand's commitment to ocean protection through its Blancpain Ocean Commitment (BOC) program. This comprehensive documentary has already been screened at BOC events in the United States, South Korea, Japan and the United Kingdom.

While Blancpain has had a decisive influence on the development of dive watches, it also made its mark on military watchmaking. This little-known page in its history has been revived by the launch of a special timepiece, a limited-edition reissue of the legendary 1950s Air Command aviation chronograph.



## Creation

### Villeret Ultraplate

The Villeret Ultraplate watch marks a return to essentials where hours and minutes reign supreme. It presents a contemporary face while preserving the collection's emblematic aesthetic appeal. This new model houses the 11A4B Manufacture movement featuring an entirely redesigned bridge shape. With a four-day power reserve, this hand-wound timepiece is equipped with a power-reserve indicator engraved on the back to preserve the purity of the dial.







#### Villeret GMT Date

In 2019, a new GMT model joined the Villeret collection. This timepiece with its refined and understated appearance features remarkably simple readability. The chapter ring is composed of the traditional Roman numeral appliques characteristic of Villeret models. The second time zone is indicated on a 24-hour scale. The new Villeret GMT Date is powered by the 5A50 self-winding movement, entirely designed and crafted in the Manufacture's workshops, like all Blancpain calibers.

#### Villeret Women Date

Blancpain enriched its wide range of women's models with a calendar timepiece. The date appears in an oval-shaped window, subtly integrated into the chapter ring. The date disk features re-

designed rounded numerals. This new 33.2 mm-diameter watch is available in a steel or red gold case, either set with diamonds or not. The four watches come with a choice of an alligator strap or a *mille mailles* metal mesh bracelet. They may also be purchased with a kit of five straps to be swapped as the fancy takes you.

#### Fifty Fathoms Automatic, ceramic dial

In 2019, Blancpain reinterpreted its iconic Fifty Fathoms divers' watch. The new edition retains the sporty and distinguished character of its peers, while adding a touch of chic and high-tech with a red gold case and ceramic dial – a first in the collection. The hardness of this material, six times greater than that of steel, guarantees remarkable stability and longevity.

#### Fifty Fathoms Automatic, titanium case

Blancpain's must-have model, the Fifty Fathoms Automatique, now appears attired in satin-brushed titanium. Known for its high impact and corrosion resistance, this metal has a low density that makes it particularly light. The result is a robust model offering all the technical guarantees of a diving instrument yet without making its weight felt on the wrist.

#### Fifty Fathoms Nageurs de combat

In tribute to its historic collaboration with the founders of the French Combat Swimmers Unit, in 2019, Blancpain unveiled a limited edition of 300 watches bearing symbols evoking French military divers. The Fifty Fathoms Combat Swimmers' caseback is thus stamped with a central anchor, dedicated to sailors and flanked by two winged seahorses representing the underwater world as well as paratroopers. A second emblem appears on the



dial: the number 7. As oxygen becomes toxic when its partial pressure reaches 1.7 bar, the maximum depth that commando frogmen when using pure oxygen can reach is seven meters, a number that has become a symbolic figure in this environment.

#### Fifty Fathoms Automatic Barakuda

In 2019, Blancpain revisited one of its diving watches from the late 1960s, the Barakuda. This 500-piece limited edition retains the design details of the original version while taking advantage of technical innovations resulting from Blancpain's longstanding experience in the field of scuba diving. The model's distinctive features are two-tone rectangular hour-markers coated with "old radium" type Super-LumiNova®, fluorescent white-lacquered pencil-shaped hands and an extremely legible date display at 3 o'clock.

#### Air Command

Known as the most sought-after military chronograph of the late 1950s, the Blancpain Air Command model has now been given a new lease on life. The 2019 edition, a 500-piece limited series, features a style faithful to that of the original watch. In line with its forerunner, intended at the time for pilots of the most modern aircraft, it has a ratcheted "countdown" rotating bezel. The time scale, hour-markers and hands are made of "old radium" Super-LumiNova®, reproducing the orange hue of the original chronograph indications. The dial is protected by a box-type crystal, a strong aesthetic feature of the watches of this period. Made of sapphire, it is also found on the caseback, a first for Blancpain.







### Presence

#### Blancpain Ocean Commitment

In 2019, Blancpain continued the partnership initiated in 2012 with Laurent Ballesta. The Maison supported the fifth Gombessa expedition, "Planet Mediterranean". This new exploration mission took place off the French coast with the objective of revealing the still well-kept secrets of the Mediterranean. To ensure that there was enough time to carry out a series of scientific protocols sponsored by research centers and to illustrate these deep ecosystems, the Gombessa team combined saturation diving with scuba diving using closed-circuit rebreathers for the first time ever.

Saturation diving connects professional divers to the surface through an umbilical that both provides them with respiratory gas and allows them to communicate. The length of time they spend underwater is theoretically unlimited, but they can only move a few meters around the area in which they are working. Scuba diving allows free movement but is limited by strict time constraints. For a few minutes spent at great depth, divers must undergo several hours of decompression to avoid any risk of accident. The combination of these two techniques allowed Laurent Ballesta and his team to do without decompression during the expedition, and to conduct a single two-day dockside session at the end of the mission.

As with previous expeditions, Gombessa V will be the subject of a documentary film, an exhibition and a book, which in 2020 will reveal to audiences all over the world the discoveries made by Laurent Ballesta's team with Blancpain's support.

#### Art of Living

2019 marked the very beginning of two new collaborations in Blancpain's *Art de Vivre* universe.

The young Swiss chef Marie Robert and the Auvergne-born chef Julien Royer have joined the circle of friends of the brand, with whom they share the values of the quest for excellence, passion, expertise and a sure touch.

At just 31 years of age, the head of Le Café Suisse in Bex is a revelation. Michelin-starred and voted 2019 "Chef of the Year" by the Gault&Millau gastronomic guide, Marie Robert brings unique pizzazz to the plate. Surrounded by an all-female kitchen brigade, she transforms seasonal products in step with her imagination. As inventive as they are attractive, her fresh and sparkling dishes delight palates in a colorful setting that evolves with each menu.

Two-star Michelin chef Julien Royer is the owner of Odette (Singapore), ranked this year as one of the 50 best restaurants in Asia. In June 2019, he opened a second establishment, Louise, in Hong Kong. Royer adopts a refined approach to contemporary French cuisine by careful sourcing from artisanal producers around the world. Guided by a deep respect for seasonality and terroir, he treats ingredients with delicacy in order to highlight their flavors, paying the greatest attention to every detail.

#### Blancpain & Marilyn Monroe, Timeless Elegance

In October 2019, in its iconic Boutique on New York's 5th Avenue, Blancpain unveiled a legendary 1930s jewelry watch that belonged to Hollywood star Marilyn Monroe. This stunning cocktail watch was part of an exhibition entitled *Timeless Elegance*. Inspired by Art Deco and purchased at auction by Blancpain, the piece was on display alongside a curated selection of photographs and personal objects revealing the exceptional life and complex personality of the beloved American actress. These intimate objects were presented in a refined atmosphere, through a retrospective of Blancpain women's timepieces from the past to the present.

The opening of this exhibition was attended by renowned actress Naomi Watts and Lawrence Schiller, a talented photographer who regularly worked with Marilyn Monroe.

#### China World Mall Boutique, Beijing

In 2019, Blancpain strengthened its presence in China with the opening of an impressive 380 m<sup>2</sup> boutique in the prestigious China World Mall, one of the country's most dynamic shopping complexes. Located near Beijing's central business district, this setting boasts a unique architecture notably featuring a fully glazed main entrance directly accessible from the street. Inside the building, the boutique has a second entrance in a style strongly inspired by the historical Manufacture in Le Brassus. In addition to the brand's splendid creations, the new Blancpain Boutique also houses an after-sales service center where customers are invited to have their watches serviced while benefiting from personalized advice. This approach reflects the brand's desire to offer its customers personalized shopping experiences in accordance with its superior standards of customer service and hospitality.





Glashütte  
ORIGINAL

## DIVE INTO THE ORIGINAL

### Trends

2019 was marked by the introduction of a new collection by Glashütte Original: the Specialist. It all began with the SeaQ diving watch, featuring a perfect blend of history and modernity. Based on the Dive into the Original slogan, the brand launched a communication campaign inviting people to dive not only into a discovery of this new timepiece, but also into the history of the brand and its high quality standards.

Glashütte Original presented these high quality standards at *Time to Move* in Geneva, where selected members of the media were shown, among other things, a demonstration on the sophisticated production of dials and the testing procedure for diving watches in accordance with German and international standards.

In addition, Glashütte Original's craftsmanship was showcased live at several events and roadshows, notably in China and the Middle East, thus helping to strengthen the brand's profile.

### Creation

#### **Senator Chronometer Tourbillon**

Glashütte Original presented an enhanced version of the flying tourbillon. For the first time, the Saxon manufacturer has succeeded in combining a flying tourbillon with a stop-seconds mechanism, a zero-reset function and a minute detent to guarantee accurate time-setting. Issued in a 25-piece limited edition, this world first in platinum boasts an official chronometer certificate.

#### **PanoInverse**

With this hand-engraved platinum timepiece, a 25-piece limited edition, Glashütte Original revisits the successful formula behind its PanoInverse line. The highly refined, independent butterfly-shaped bridge appears to be floating in mid-air.



#### **SeaQ**

With the SeaQ, the brand is reviving the tradition of the Glashütte diver's watch. Inspired by a 1969 watch specially developed for recreational and combat diving, it is available in two versions: the SeaQ limited edition or series edition and the SeaQ Panorama Date. Each model passed the DIN and ISO tests.

#### **Sixties Annual Edition**

The 1960s inspired two new references in the Glashütte Original Sixties collection: the Sixties and the Sixties Panorama Date, with their flamboyant burnt orange *dégradé* dials, both of which were made in the company's own dial manufactory. These two models were only available for a limited period of one year.

### Presence

#### **Experiencing craftsmanship at the German Watch Museum Glashütte**

In order to bring the traditional art of watchmaking and the care and maintenance lavished on the precious Glashütte timepieces to life, the Glashütte Original restoration workshop has been transformed into an atelier with a historic character. The refurbished workshop is located in the German Watch Museum Glashütte, which attracts more than 35000 visitors from around the world every year.

#### **Berlin International Film Festival**

The eighth year of the partnership with the Berlinale was also the third time that the manufactory served as main partner of the festival. The brand once again awarded the Glashütte Original – Documentary Award. Sudanese director Suhaib Gasmelbari received the award for his outstanding documentary on the history of cinema in his country.

#### **Dresden Music Festival**

American violinist Joshua Bell was the winner of the 16th edition of the Glashütte Original Music Festival Award. This virtuoso was honored after his guest artist performance in Dresden's Frauenkirche. He was awarded a prize of 25000 euros in recognition of his commitment to promoting young talent as well as his cross-cultural understanding. This distinction was presented to him by two apprentice watchmakers.





# SOME WATCHES TELL TIME, SOME TELL A STORY

## Trends

In 2019, Jaquet Droz continued to deploy exceptional expertise in successfully developing timepieces with unique character, notably through its iconic Grande Seconde collection, the limited editions of its *Ateliers d'Art* and its animated automaton models that never cease to delight. Extending this line was an obvious choice for the brand, which unveiled a lush, animated composition called the Magic Lotus Automaton, inspired by a Zen garden. In it, fauna and flora are expressed through prestigious artistic crafts revealing the tiniest details. The dial consists of a mobile disk featuring two animations of a quite exceptional nature. The first depicts a Koi carp, which, with a swish of its tail, gives the illusion of swimming through the water, while the second features a floating lotus. The model is equipped with an original movement enabling its heart to be adorned with a new stone, alternating between blue, yellow and

ruby sapphires. This new automaton is the subject of four patent applications and features the most sophisticated dial ever made by Jaquet Droz.

## Creation

### Grande Seconde Chronograph

The chronograph function was one of the last remaining complications not yet adopted by the Grande Seconde. The single-pusher chronograph has now made its debut in this collection, endowed with an exclusive movement built around a column wheel, in keeping with the grand watchmaking tradition associated with this complication. It also contains a silicon balance-spring, which ensures that its movement is unaffected by magnetic fields and temperature variations.







**Grande Seconde Dual Time**

The Grande Seconde Dual Time, radiating the spirit of travel more strongly than ever, has been treated to a makeover. This modern and elegant model gently ushers the timeless aesthetics of the Grande Seconde into a new era. Jaquet Droz has taken a fresh look at the presentation of its travel complication, nestled in the lower part of the famous "figure 8" dial. Its core represents the continents, seen lying flat from the North Pole (known as the "Polar Azimuthal" projection).

**Grande Seconde Skelet-One Ceramic**

Clad in black ceramic framing a dial with blued steel screws and white gold hour-markers, while fitted with a blue canvas strap, the Grande Seconde Skelet-One reinforces its modern, masculine identity.

**Petite Heure Minute Smalta Clara**

The Petite Heure Minute, characterized by its off-centered hour display, once again allows the *Ateliers d'Art* total freedom of expression. Its dial features *plique-à-jour* enamel depicting two types of hummingbird, each issued in an eight-piece limited edition.

**Tropical Bird Repeater Unique Piece**

An exceptional creation embodying the Philosophy of the Unique dear to Jaquet Droz: with its new Tropical Bird Repeater, the Maison gives free rein to its *Ateliers d'Art* and its watchmaking workshops. The result is a highly prestigious new timepiece, emphasizing the naturalist heritage of the brand without detracting from its contemporary creativity.

**Presence**

**Inauguration of a new boutique in Hong Kong**

Jaquet Droz celebrated the opening of its new boutique located on Hong Kong Bay, within the luxurious Harbour City shopping mall. Decked out in shades of black, beige and gray, the boutique features an entirely new design. A privileged meeting place for Fine Watchmaking collectors and enthusiasts, it offers an opportunity to discover the Jaquet Droz universe in an atmosphere imbued with modernity and elegance, just like the creations it houses.

**Treasures of Time**

The history of Jaquet Droz never ceases to arouse wonderment. The Hong Kong Jockey Club Series: *the Treasures of Time* exhibition held at the Hong Kong Science Museum presented to the public a number of Jaquet Droz clocks and automatons stemming directly from the private collections of the Palace Museum of the Forbidden City. This was an extremely rare gesture on the part of this institution whose pieces are so important that they almost never leave its premises.

**Record new sale for an antique Jaquet-Droz PLC clock**

Renowned auction house Antiquorum sold an original creation by Jaquet-Droz & Leschot for CHF 1 025 000. This exceptional sale confirms the extreme heritage value of the company's creations.







# A RICH HISTORY AT THE SERVICE OF A BRIGHT FUTURE

## Trends

A watchmaking company rooted in tradition, Longines has always successfully remained true to its past in order to shape its future. Over the past year, it has unveiled its new products with a particular focus on Heritage models, a reflection, as the name suggests, of the rich heritage that Longines has always been committed to preserving and enhancing. The brand has maintained privileged relationships with an increasing number of keen collectors by organizing events for them since 2015, during which passion and exchanges are the watchwords. The 2019 edition of the Collectors' Day was held over two days, between Saint-Imier and Geneva, and attended by more than 50 aficionados of the brand.

2019 was also a year of diversification for Longines, which launched a collection of optical frames and sunglasses for men and women. Reflecting the brand's aesthetic and technical know-how, this new range offers high-performance products that exude elegance, in line with its timepieces. This is a new field of expression for Longines, allowing it to reinterpret and highlight its values beyond the watchmaking world.

## Creation

### Conquest Classic

Longines has enhanced its Conquest Classic line with new quartz models that are resolutely feminine and contemporary, combining mother-of-pearl, diamonds and touches of pink.



### The Longines Master Collection

The Longines Master Collection offers new creations featuring a moon phase indicator with a date ring on which a hand points to the current day. This collection is also complemented by new references offering an annual calendar. All these models are powered by new automatic movements developed exclusively for Longines.

### Conquest V.H.P.

Equipped with its exclusive movement, a true technological innovation based on quartz, the Conquest V.H.P. is now available in a feminine version. Diamonds, mother-of-pearl and ceramic combine to create new sporty and elegant variations.

### HydroConquest

Longines has given a new glow to its HydroConquest line with its diver look by adding a new version entirely made of black ceramic.

### The Longines Heritage Classic

Longines has revisited a model typical of the 1930s with the Longines Heritage Classic, characterized by the aesthetics of its sectorized dial. Featuring a refined design similar to the original watch, this model features an exclusive new caliber designed for its Heritage line and endowed with a silicon balance spring.

### The Longines Legend Diver Watch

The Longines Legend Diver Watch, a reinterpretation of a 1960s diver's watch, is now available in 36 mm versions, colored or faithful to the original.

## Presence

### Boutiques

In 2019, Longines continued to expand its network of mono-brand boutiques internationally. The brand also pursued the development of its online stores, launching new e-commerce platforms in Australia, Germany and Italy.







**Longines Family**

Longines is proud to have counted Indian actress Aishwarya Rai Bachchan among its Ambassadors of Elegance since 1999. This long and close collaboration was celebrated with an event in Rome, during which the latest models in the Longines DolceVita line, including an exclusive watch limited to five pieces, were presented.

On the eve of the Prix de Diane Longines, well-known ambassadors Kate Winslet and Simon Baker were brought together for the very first time to share an exclusive photo session featuring the Record collection. Finally, the Longines family continued to expand with the arrival of Sönke Rothenberger, rising star of dressage, and South African actress, producer and businesswoman Terry Pheto. Longines was also proud to welcome young Swiss skiers Mélanie Meillard, Loïc Meillard and Marco Odermatt to its family.

The various markets also regularly worked with key influencers invited to the brand's various sporting or corporate events.

**Equestrian sports**

Longines has maintained close links with the equestrian world for the past century and a half.

In show jumping, the Longines Masters Series made its first stopover in Lausanne, in addition to stops in New York, Hong Kong and Paris. The cities of New York and Stockholm have joined the prestigious Longines Global Champions Tour. As part of its long-standing partnership with the FEI, the brand renewed its collaboration with the Longines FEI Jumping World Cup™ North American League, in parallel with the European and Chinese circuits.

As FEI's first Top Partner, the brand also acted as Title Partner, Official Timekeeper and Official Watch of the 2019 Longines FEI European Championships in Rotterdam, an event that brought together the best riders and horses in Europe in show jumping, dressage and para-dressage. For the first time Longines also served as Title Partner to the Longines FEI Eventing European Championships held in Luhmühlen, and presented the Longines FEI Rising Star Award to German dressage rider Semmieke Rothenberger.

In the field of racing, the brand reaffirmed its historical passion for this discipline by extending its partnership with the New York Racing Association, Inc. The company continues to serve as Official Timekeeper and Official Watch at the Belmont Park and Saratoga racecourses. Longines also renewed its collaboration with the Breeders' Cup, one of the world's largest thoroughbred racing events. In this context, the Swiss watch brand became the Title Partner to the Longines Breeders' Cup Classic. 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 for the third time, the Longines World's Best Racehorse to the famous Australian mare Winx and British stallion Cracksman, the Longines and IFHA International Award of Merit to Australian John Messara and the Longines World's Best Jockey to Italian Lanfranco "Frankie" Dettori.

**Alpine skiing**

Official Timekeeper for the FIS Alpine Ski World Cup and the FIS Alpine World Ski Championships, Longines also supports the young hopes of the skiing world. At the end of the 2018/2019 season, in Soldeu, the brand awarded the Longines Rising Ski Stars prizes to Slovenian Meta Hrovat and Frenchman Clément Noël. This celebration took place on the fringes of the 2018/2019 FIS Alpine Ski World Cup Overall Ranking Awards Ceremony, a title won for the third consecutive year by Longines Ambassador of Elegance, Mikaela Shiffrin.

For the first time, Longines lent its name to the Longines Future Hahnenkamm Champions race, organized by the Kitzbühel Ski Club during the FIS Alpine Ski World Cup. This two-round team race is open to promising young skiers under 16 years of age.

**Gymnastics**

In its role as Official Partner and Timekeeper to the International Gymnastics Federation (FIG), Longines presented the Longines Prize for Elegance at the 2019 World Championships in Stuttgart and Baku. Gymnasts Mélanie de Jesus dos Santos (FR) and Samuel Mikulak (USA) were crowned in artistic gymnastics, while Laura Zeng (USA) made a great impression with her performance in rhythmic gymnastics. In the same discipline, Russian twins Dina and Arina Averina, Longines Ambassadors of Elegance, distinguished themselves brilliantly by winning seven medals, including four gold.

**Archery**

As Official Partner to the Archery World Cup, Longines presented the Longines Prize for Precision to two American archers, Alexis Ruiz and Braden Gellenthien, during the finals in Moscow.





**RADO**  
SWITZERLAND

# DESIGNING OUR FUTURE



### Creation

#### **Captain Cook**

A famous name in the Rado collection that first appeared in 1962, the Captain Cook was reimagined and relaunched in 2017 to great fanfare. 2019 saw the collection expanded, offering not just a range of sizes, colors and movement options, but also a new range of interchangeable straps, allowing wearers to personalize their styles. The 42 mm automatic model with green dial and green high-tech ceramic bezel inlay proved particularly popular with customers. The design is based on the 1962 original, giving it authentic vintage appeal and explaining why it sold out repeatedly in many countries around the world. The rice grain metal bracelet is another original element that can be exchanged quickly and easily with no tools, using the Easy Clip system. Leather and textile NATO straps are a popular alternative for wearers looking for a sportier, versatile style. The collection launched worldwide in May and instantly captured the imagination of modern explorers.

### Trends

2019 was a year of focus and consolidation for Rado. With two hero products making headlines around the world, the brand was able to continue to own the design message in watchmaking, underline its status as the Master of Materials, and lead the industry in the use of colorful high-tech ceramic.

Rado has more than 30 years of experience using high-tech ceramic and this expertise and knowledge, as well as its unrivalled focus on design, helped it to reach a new and broader range of customers and enthusiasts while continuing to appeal to the loyal audience that has made the brand the global presence it is today.

Products from Rado's Tradition range helped underline the enduring qualities of its watches whereas new models in the True Thinline collection allowed the brand to showcase the fact that at Rado, one eye is always focused on the future.

With design, tennis, innovation, technology and materials its main communications pillars again in 2019, Rado showed the world that it is a forward thinking, future focused brand. With this in mind, it expanded its digital offering with online stores in Austria and Switzerland joining the already established stores in Germany, the UK and USA.







**True Thinline Les Couleurs™  
Le Corbusier collection**

The True Thinline Les Couleurs™ Le Corbusier collection, combining a celebration of the most relevant color theory and Rado's pioneering ability to create vivid and vibrant colors in its signature high-tech ceramic, was a real highlight in 2019. Comprising nine models, the collection represents one color from each group created by legendary designer and architect Le Corbusier in 1931 and 1959. There is something in this collection that will appeal to everyone with a love of color. High-tech ceramic is the last word in colorful luxury. As a color carrier, it is light, scratch-resistant, and hypoallergenic and a material guaranteed to retain its shine and keep its vibrancy. It's the perfect material for a high-end time-piece.

**True Designer collaboration**

As well as focusing on color as a strong design element, Rado continued its association with the world of design through its strategic collaborations. This year, the brand worked with renowned designers from a variety of fields who applied their own unique vision to Rado's slimmest high-tech ceramic watch, the True Thinline collection. Using innovative techniques to create eye-catching dials, applying typical Rado materials such as faceted sapphire crystal and creating the illusion of depth in this slim watch, the designers challenged Rado, which delivered on their ideas. Its work with Bethan Gray, Inma Bermudez, Ayako Suwa, Evgenia Miro and Flora Miranda allowed the brand to make an impact as it presented its watches against the backdrop of numerous design events.

**Presence**

Rado started the New Year in style with a Swiss theme for a photoshoot with its Bollywood megastar brand ambassador, Hrithik Roshan. Starring in the Alpine landscape, Hrithik showed his versatility as a model in a range of shots that included a St Bernard dog! Following the photoshoot, Hrithik came to visit Rado HQ in Lengnau and tried his hand at watchmaking. It was a busy year for Hrithik with Rado as well as in his regular career as a screen star. In his new movie, which set box office records for a Hindi language film on its opening weekend, Hrithik proved his credentials as an action hero and wore his HyperChrome Chronograph. He was on hand to promote the movie and meet and greet fans at events in India in autumn.

Tang Wei, Rado's Chinese movie star ambassador, also promoted a new film that marked her return to the silver screen. In *The Whistleblower*, she wears one of the new models from the DiaMaster collection. The film received a positive response from critics and viewers and Tang Wei has proved a glamorous presence on the red carpet as always.

In the world of tennis, Rado welcomed new YoungStar Ugo Humbert to its family. Up-and-coming star Ugo had a great year on the ATP Tour, climbing up the rankings and signaling his intent to become one of the brightest stars of the next generation.

Rado's other YoungStar, Ashleigh Barty, had a year like no other. Still aged only 23, she became WTA world number 1, won her first Grand Slam at the French Open in June and claimed victory in the year-ending WTA Tour Finals, winning the richest prize in women's tennis. Rado is incredibly proud to count Ash as a member of its family.

Elsewhere in the world of tennis, Rado was again on court at a range of tournaments around the world as Official Timekeeper. The HyperChrome corner clocks timed all the action from Brisbane, Australia in January to Basel, Switzerland in October via Mexico, Stuttgart, Queen's Club in the UK, Russia and Vienna.

Yulia Peresild was the guest of honor in Zurich in May as Rado launched its True Thinline Les Couleurs™ Le Corbusier collection. Against the beautiful backdrop of the Lake of Zurich, Yulia sang as part of the launch program and also showed her versatility as a model, wearing each of the colorful new watches during the evening event.

With design a key element of its watches, Rado continued its partnerships with prestigious design events from around the world as well as forging new relationships. At design weeks in countries as diverse as Spain, Taiwan, Italy, Austria, Canada, India, France, the UK, UAE, Switzerland and Austria, the brand created special exhibitions to support its latest product launches, to underline its long-standing association with the world of design and to announce the Rado Star Prize design competition. With the aim of promoting up-and-coming designers, giving them a platform to show their work, the Rado Star Prize allows them to show their work to a jury of industry experts and the general public.



**UNION**  
GLASHÜTTE/SA.

## A LONG TRADITION OF CONTEMPORARY STYLE

### Trends

The *Made in Germany* quality seal is a prized accolade and the German art of watchmaking enjoys a growing reputation in German-speaking countries and around the world. Union Glashütte is part of this development and reaped the benefits of this trend, particularly in core markets. The company has acquired significant market share in this sector and has seen substantial organic growth.

In 2019, Union Glashütte opened 28 high-quality sales outlets in China, a new key market. Significant sell-through was already achieved, thanks to the Chinese watch purchasers' affinity for intricate watchmaking. The company's investments have paid off locally and have also had a positive effect on domestic sales in areas with high tourism.

Union Glashütte is focusing more intently on digital communication, which lies at the heart of its newly-designed website. The company's fresh new online appearance, combined with modern campaigns and a contemporary corporate identity, have been updated to reach younger consumers worldwide.

### Creation

#### 1893 Johannes Dürrstein Edition Moon Phase

Combining traditional Union Glashütte watchmaking skill with a state-of-the-art manual winding movement and elegant design, this timepiece is available as a limited edition in rose gold or in stainless steel. Its beautifully decorated movement, with a classic three-quarter plate, has been refined and equipped with an index-less regulation system and silicon balance spring.



#### Belisar Date Sport

An all-rounder with a maritime character, this watch's sporty features, including a striking rotating bezel made of sapphire crystal and an automatic movement with a silicon balance spring, make it the perfect companion for all activities.

#### Belisar Chronograph

The two new versions combine nostalgic charm in the style of classic cars, with exquisite details and an automatic movement that makes them fine examples of a modern generation of watches. With contrasting panda dials and nubuck leather straps, it lends vintage flair to any outfit.

#### Belisar Chronograph Moon Phase Limited Edition Sachsen Classic 2019

For the tenth time, Union Glashütte lined up for the start of the Sachsen Classic event and presented a limited edition timepiece that sold out in a flash. The refined design of the dial with its dual-layer effect and delicate honeycomb structure calls to mind the nostalgic design of the radiator grille on a classic car.

### Presence

#### Viticulture and watchmaking culture

A select group of German sales partners were invited on a walking tour through picturesque Rheingau vineyards and learned about the connection between the region's wines and the brand's watch collections. The tour led guests to a well-known winery before concluding with a delicious meal.

#### Timeless charm: Watches and classic cars

Union Glashütte once again partnered with a number of prestigious classic car events. While classic car rallies such as the Paul Pietsch Classic, Silvretta Classic and Sachsen Classic focus as much on the joy of driving as they do on the sport, classic car tours like the ADAC Deutschland Klassik are all about relaxing and enjoying the ride. Car enthusiasts and watchmaking fans around the world always have one thing in common – a love of mechanical excellence. Union Glashütte celebrates this passion with its active commitment and through limited special editions that embody the qualities of prestige cars.



#### In conversation with the media

Whether over a quintessentially German snack in Hong Kong, delicately presented meals in Vienna, or a traditionally Hanseatic lunch amidst Hamburg's picturesque canals, journalists and bloggers were offered the chance to see Union Glashütte's watches in an authentic atmosphere and learn about their technical features from an expert at a wide range of customized press events. The Chinese media were invited to a series of interviews with the President of Union Glashütte, where they were able to obtain information directly from the source.







## OFFICIAL TIMEKEEPER OF EMOTIONS

### Trends

2019 once again featured numerous international sporting events. Tissot has been forging ties with its partners in sport for several years and integrated them into a number of boutiques from New York to Shanghai. In an era where customer experience is a must, Tissot launched various themed boutiques such as those linked to the NBA, MotoGP™, or the FIBA Basketball World Cup, offering consumers a full immersion into its brand values.

### Creation

#### “Gold Value at Silver Price”

Widely regarded as the “Gold Value at Silver Price” brand, Tissot presented a contemporary model at the beginning of the year: the Tissot Gentleman Automatic. This timepiece with its solid rose gold bezel is equally at home in a professional environment where there is a preference for classic design codes, or at weekends, where it is perfectly suited to leisure activities. Driven by a Powermatic 80 with a silicon balance-spring, the timepiece guarantees an 80-hour power reserve and high resistance to magnetic fields.

#### Exquisite femininity

Launched in a three-hand version last year, the PR100 Sport Chic appealed to women all over the world in every market. This year, the brand decided to interpret it as a chronograph in order to give it a sportier touch. Graced with a mother-of-pearl dial and diamond hour-markers, the Tissot PR100 Sport Chic Chrono remains an extremely feminine wristwatch.



### Tradition at the heart of Tissot

True to its slogan *Innovators by Tradition*, Tissot has developed several new products such as the Tissot Heritage 1973, issued in a 1973-piece limited edition. This timepiece pays tribute to Tissot's great passion for motorsport in the 1970s. For the creation of the Tissot Heritage 1973 watch, the brand drew inspiration from an archive model. Dating from 1973, the Tissot Navigator was an essential part of Tissot's partnerships with motor racing, particularly in the world of F1.

### Presence

#### Carson Automatic in Shanghai

In March, Tissot organized a launch ceremony and presented the new Tissot Carson Premium Automatic collection in Shanghai. Based on the “It's time to live” theme, the brand created an amazing urban space. Tissot President François Thiébaud attended the event and jointly unveiled the new Tissot Carson Premium Automatic launch campaign to the public, in a ceremony graced with the presence of Tissot Ambassador Liu Yifei.

#### Discovering Switzerland with the Fête des Vignerons

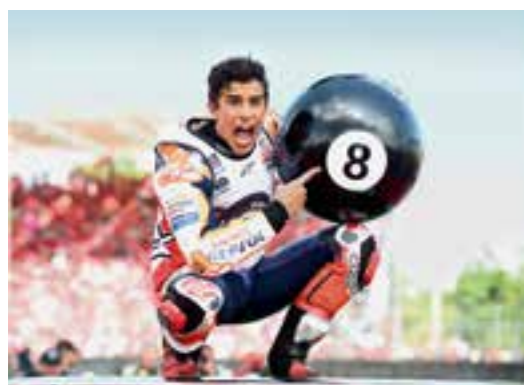
Liu Yifei and Huang Xiaoming had the pleasure of sharing an enjoyable time in Switzerland during the press conference held in Le Locle last August. A press event was organized on the theme of the Fête des Vignerons wine festival, to which more than 80 journalists from Hong Kong and China were invited by the brand, which had created a Special Edition for the occasion. Held approximately every 25 years, the Fête des Vignerons appealed to guests with its colorful living tableaux and stage settings.

#### FIBA World Cup

Tony Parker, a longstanding Tissot ambassador, attended an event during the FIBA World Cup Final in Beijing where he shared his passion for basketball with the other guests. The 2019 FIBA Basketball World Cup Final was played in Beijing in front of enthusiastic spectators who had come to support their favorite teams. Thirteen years after its last victory, Spain lifted the trophy after beating Argentina by 20 points. François Thiébaud, President of Tissot, rewarded the performances of the MVP and the FIBA All Star Team with Tissot Chrono XL FIBA Special Edition watches.







**SPORTS PARTNERSHIPS**

**FIBA 3x3**

Tissot is constantly developing in the field of sport and now also supports FIBA 3x3 among the various basketball disciplines. Involving two teams of three players each, 3x3 is an exciting game featuring non-stop action. As a tribute to basketball's symbolic status in terms of urban fashion, Tissot created the Chrono XL 3x3 Street Basketball Special Edition. While the style picks up that of the Chrono XL originally launched in 2017, this edition features various references to this riveting sport. The printed dial evokes the steel mesh fences surrounding street courts. The watch comes with two easily interchangeable straps, one adorned with colorful graffiti, the other in elegant black leather.

In keeping with the basketball theme, Tissot unveiled a watch with a strap made of the same leather as the Official Spalding balls used in the prestigious National Basketball Association (NBA). With this timepiece delivered in a presentation box with a removable mineral glass caseback designed to accommodate interchangeable inserts corresponding to the 30 NBA teams, the customer can change the inserts using a basketball-shaped tool.

**Honoring the yellow jersey!**

Deeply attached to its Special Editions, Tissot launched a Chrono XL Special Edition Tour de France in 2019 to celebrate the 100th anniversary of the yellow jersey. At the Tour de France, the world's most important cycling race, yellow is indeed a symbol of excellence. The yellow jersey handed over to the Tour leader at the end of each stage is thus worn with pride as a badge of honor. It is therefore greatly coveted by all competitors, who are determined to wear it as often as possible. This year marked the centenary of the yellow jersey of the Tour de France, an anniversary to which Tissot paid homage with its tri-compax quartz chronograph. The bright Tour de France yellow of the two counters creates a striking contrast with the black dial. The watch comes with two leather straps, one entirely black and the other adorned with the yellow jerseys emblematic of the history of this legendary race. The world's greatest cyclists have worn the yellow jersey and the Chrono XL Tour de France Special Edition pays tribute to all of them.

**RETAIL**

In 2009, Tissot opened its first boutique in Paris on the Champs-Élysées, the legendary avenue in the City of Light. Since then, the number one brand of traditional Swiss watchmaking in terms of volume continued its tremendous expansion, regularly opening new monobrand boutiques around the world.

To date, Tissot has more than 360 corporate boutiques and it opened several innovative concept stores in 2019.

Tissot inaugurated its fourth store in New York, a concept store dedicated to basketball.

In Shanghai, three themed boutiques were unveiled, offering customers an opportunity to discover the Swiss watch brand in a dedicated space. The first is devoted to basketball, the second focuses on Tissot and lifestyle, and the last enables visitors to enjoy a very immersive experience in the world of motor sports.

Daikanyama is located in the heart of Japan's capital – a place steeped in history and yet brimming with modernity – where Tissot's motto *Innovators by tradition* takes on its full meaning. Inspired by Swiss chalets, this special two-floor boutique offers a warm, comfortable and luxurious space where visitors can enjoy an extraordinary shopping experience.

In 2019, Tissot experienced very strong growth in e-commerce both on the brand's website and in its retailers' online shops and through the opening of new markets. On the website, Tissot opened its online store to new countries such as Canada, Poland and Russia and now covers all of the brand's 15 key markets.

Tissot continued to support its distribution network by enabling reservations at physical points of sale via [tissotwatches.com](http://tissotwatches.com) and by supporting online retailers through the development of new digital tools.

Finally, the brand from Le Locle has forged strong partnerships with the largest international e-commerce platforms, such as Tmall and JD in China, as well as Myntra in India and many others.





## CALVIN KLEIN

# SIMPLICITY, SENSUALITY, AUTHENTICITY

### Trends

In 2019, Calvin Klein pursued its focus on communication geared to the younger generation. A new campaign by photographer Lachlan Bailey was launched in California to celebrate and strengthen the brand's rejuvenation.

The year's *NO TIME LIKE THE FIRST* campaign captured the authentic and carefree experiences of today's youth. Its setting is the road, a universal symbol of freedom. The concept focuses on entering adulthood, reflected in the raw emotion of experiencing something for the first time, be it first love or the very first drive.

In the visuals featuring Cara Taylor (USA), Justin Martin (USA), Kohei Takabatake (Japan), Hyun Ji Shin (South Korea) and Roos Van Elk (Netherlands), the photographer reminds us that no matter how much time we have, we never forget our first times.

With its warmth and emotional intensity, the *NO TIME LIKE THE FIRST* campaign perfectly illustrated Calvin Klein's characteristic intense sensuality. It was part of the #MYCALVINS program, which started at the end of 2018 and was aimed at a young target group. The #MYCALVINS hashtag, used on social media and definitely a strong traffic driver, achieved excellent results in terms of visibility among connected audiences.

The execution of a solid media strategy focusing on digital, particularly through dedicated videos and visuals, led to extensive coverage on digital platforms in more than 80 countries, as well as good coverage in traditional media.

### Creation

The particularly bold 2019 collection bears the brand's powerful signature and continues its new creative orientation while remaining both easy to wear and functional.

Throughout the year, Calvin Klein continued to push the boundaries with a collection featuring graphic and colorful lines inspired by contemporary urban life. It distinguished itself with its innovative character in terms of both design and materials.

Among the year's highlights was the innovative watch with the iconic name Calvin Klein #mycalvins, inspired by the ardor of youth and the mix and match fashion trend. Its concept combines elegance, energy and personalization. Presented with three colorful interchangeable straps, the watch enables the wearer to express the mood of the moment. Its identity is also reinforced by two plates engraved with a message that can be chosen according to personal wishes. Resolutely playful, adaptable, affordable and available in three sets, the Calvin Klein #mycalvins is the perfect watch for the modern woman.

Offering a clever set of contrasts, the watch collections interpret a retro-vintage note, notably expressed for men, through Calvin Klein Fraternity and Calvin Klein Squarely; and for women with Calvin Klein Offsite.

Finally, particular attention was paid to strengthening the link between watch and jewelry lines, like a story at the very heart of the collection. Calvin Klein Statement and Calvin Klein Wavy are perfect examples of this creative spirit.







The Calvin Klein Statement chain, with its distinctive design, is available on watches and on the jewelry line in various finishes and sizes, creating a renewed and refined style effect. Calvin Klein Wavy features an extremely feminine articulated bracelet that is all about generous volumes and sheer curves, also interpreted through both watches and jewelry.

In 2019, the dynamic and sensual collection was entirely in line with the brand's strong and unique positioning.

**Presence**

Calvin Klein extended an exclusive invitation to members of the press, influencers and celebrities representing the highly sophisticated pan-Asian scene. The event provided media from China, Taiwan, South Korea, Japan, Thailand and Malaysia with a uniquely immersive Calvin Klein experience in the vibrant heart of Seoul.

For the first time, this event was jointly organized with the brand's fashion categories, Calvin Klein jeans, Calvin Klein performance, and Calvin Klein underwear, resulting in an unprece-

dent success. The objective was to present the 2019 Calvin Klein collections, celebrate the brand with key Asian tastemakers and reinforce Calvin Klein's unified message.

Guests were captivated by the combination of an original product presentation focusing on American culture and enlivened by the presence of musical artists on stage.

After the new "urban concept" in 2018, the design of the podiums for temporary commercial events was redesigned to translate the 2019 advertising campaign into an immersive, fun and engaging experience, featuring a car wash inspired by the US and enabling new and appealing marketing activations.

**Distribution**

Calvin Klein opened several monobrand stores in Greater China and Malaysia in 2019.

The brand also continued to develop its online presence, particularly in Asia and Europe.





**BALMAIN**  
swiss watches

# ACCESSORIES: ART MEETS REFINEMENT



### Creation

#### **Balmain Flamea II, inherently elegant**

Inspired by a Pierre Balmain dress adorned with arabesque motifs, the Balmain Flamea II reflects the beauty of an *Haute Couture* fashion show from a contemporary perspective.

Cases are available in stainless steel as well as pink or two-tone PVD finish options. The metal bracelets have a complex structure that evokes a delicate jewel with geometric shapes or an exotic mosaic. The black and white patent leather straps add a resolutely contemporary touch to the watch.

#### **Balmainia Bijou, a reflection of contemporary Haute Couture**

The central clasp, Balmain's emblematic element, supports a perfectly round case, the upper part of which bears the trademark engraved on the bezel.

Cases are made of stainless steel, with two-tone and pink PVD-coated variants. True to the line's playful geometric aesthetics, the metal bracelets are eye-catching, while the leather straps with their alligator pattern add a trendy touch. The sleek dials in black, white, dove gray or midnight blue are proof that simplicity is synonymous with grace.

### Trends

In 2019, Balmain reduced the number of new creations in order to strengthen its brand image in the mid-range segment where femininity, grace and boldness go hand-in-hand with quality and Swiss Made.

In April, the brand's new timepieces were presented at an unprecedented number of events organized by the markets. The Balmainia Chrono Lady, Eria Lady Round, Seredia and Balmainia Bijou collections captivated the hearts of many women.

At the same time, Balmain continued its efforts to enhance its visibility. As a result, a new range of displays and furniture emphasizing the brand's origins was created. This new image, which brilliantly highlights the encounter between the worlds of watchmaking and *Haute Couture*, was received with great enthusiasm.

Thanks to the efforts made over the past two years, all the main European and Middle Eastern markets remained stable and are showing signs of excellent growth potential.



### Imagination takes to the sea with Eria Lady Round

Adorned with small waves reminiscent of the ocean, the mother-of-pearl dials of the Eria Lady Round collection feature three large Roman numerals. Two models have a metal bracelet matching the stainless steel or pink PVD case and each has two additional easily interchangeable patterned rubber straps.

All Eria Lady Round timepieces go as well with a diaphanous pastel-colored outfit as they do with a geometrically patterned suit.

### Sedirea, a veritable gem of time

The rounded cases and special three-bar clasp on the bracelet are key elements in Sedirea's design and elegance. Its overall style is characterized by sophistication, enhanced with a romantic touch. Sedirea timepieces call on every woman to shine in her own way.

### Presence

Balmain continued to position itself as the leading brand in the mid-range segment, combining watchmaking expertise, elegance, femininity and accessibility.

In September, the new range of displays and furniture was deployed nationally and internationally. This new concept, in perfect symbiosis with the brand, has provided a new energy and is very popular. The various events and training programs organized by

the countries have strengthened links between the brand and its partners. To the delight of its fans, Balmain joined the Instagram platform in early November. The efforts that the brand has devoted to repositioning its image are making a significant contribution to enhancing its reputation.







# INNOVATIVE, THEN AND NOW

## Trends

In 2019, Certina celebrated a very special event: the 60th anniversary of the launch of its DS quality concept. Since 1959, this principle of Double Security (DS) has enabled the brand to produce timepieces equal to all of life's challenges.

To mark the 60th anniversary of the DS concept, Certina presented a watch that combines the timeless style of 1959 with the demands of a contemporary lifestyle. The DS-1 Big Date 60th Anniversary is fitted with the new Powermatic 80 caliber, equipped with a balance spring in Nivachron™, which is resistant to magnetic fields. This innovative material was developed in partnership with Swatch Group, and Certina is one of the first brands to benefit from the technology.

Well-established markets such as Switzerland, Russia, Poland and the Nordic countries have been developing with great stability. Certina has also been gaining market share in countries where its distribution has only recently been established, and is enjoying corresponding growth. Last year, the DS PH200M vintage diving

watch once again attracted a great deal of attention and excited many consumers. Jeremy Seewer, Certina ambassador and reigning world vice-champion in the MXGP category, caused a sensation in all motorcycle-loving markets.

## Creation

### **DS-1 Big Date 60th Anniversary**

On the occasion of the 60th anniversary of its DS concept, Certina launched a watch stylishly combining the past and the present. The DS-1 Big Date 60th Anniversary features a dark green dial and a stainless Milanese mesh steel bracelet. Its automatic movement sets new antimagnetic standards thanks to its innovative Nivachron™ balance spring.



### **DS Action Diver**

The all-new titanium version of the DS Action Diver remains as distinctive, reliable and sporty as ever. The 43-millimeter case is equipped with a screw-down caseback and a screw-in protected crown. Water-resistant to 300 meters, this timepiece meets all the ISO 6425 requirements for diving watches.

### **DS-1**

This classic and timeless model is delivered with both a Milanese stainless steel bracelet and a mocha calf strap. The pleasing design of the DS-1 Powermatic 80 is enhanced by a curved silver dial and a date window at 3 o'clock.

### **DS Podium**

With its elegant 29 mm case and particularly comfortable bracelet, the DS Podium Lady Automatic is perfectly suited to women's wrists. An additional complimentary strap is provided with this watch whose design is enhanced by a diamond-set dial.

## Presence

### **Exclusive preview of the DS-1 Big Date in Hamburg**

On August 21, 2019, the brand celebrated the official release of the DS anniversary model. In Hamburg, media representatives from ten countries had the opportunity to discover all the exclusive features of this latest model. A live experiment with everyday objects highlighted the harmful effects of magnetic fields on the

accuracy of conventional mechanical watches. Thanks to its Nivachron™ technology, the DS-1 Big Date 60th Anniversary remained entirely unaffected by magnetic fields. Inspired by the urban jungle, the event decor with its intense green background reflected the challenges of modern daily living and thus perfectly matched the DS-1 Big Date 60th Anniversary's bright green dial.

### **Certina kicks off in Vietnam**

During a high-profile event held in Vietnam, several retailers and press representatives enjoyed an opportunity to explore the history of Certina, the brand's current positioning and its key features. The launch of the brand took place as part of a spectacular program during which the watches were presented to great effect.

### **Launch event of the DS Action Diver STC in Shanghai**

The DS Action Diver Sea Turtle Conservancy Special Edition was officially launched in China during a two-day event in Shanghai. Retailers and journalists alike were able to discover this new model, which perfectly combines two of Certina's leitmotifs: the exceptional robustness of its timepieces and its close relationship with the turtle symbol.







# EXCEPTIONAL ARCHITECTURE, HIGH PERFORMANCE AND EXTREME PRECISION

## Trends

The year 2019 was filled with celebrations for Mido, marked in particular by two jubilees: the 60th and 75th anniversaries of the Commander and Ocean Star collections. Mido also celebrated 75 years of experience in the production of aquatic watches by signing a partnership with the Red Bull Cliff Diving World Series, a breathtaking diving competition! Women were honored with the creation of the Rainflower collection – inspired by architecture – which is exclusively dedicated to them. The 2019 novelties perpetuated Mido’s essential values: timeless design, quality materials and technological innovation.

## Creation

### Ocean Star

The two new Ocean Star Tribute watches are a magnificent contemporary reinterpretation of the line created in the 1960s. The size of their case (40.5 mm in diameter) and their sapphire crystal box, as well as their multi-link steel bracelet, give them the same superb retro allure that made the models of the time successful.

### Commander

In 2019, the Commander collection celebrated its 60th anniversary. To mark the occasion in an exceptional manner, Mido presented four new Big Date models, including a limited edition. Launched in 2018 in honor of Mido’s 100th anniversary, the Big Date models are endowed with a large date window at 6 o’clock.

### Multifort

the new Multifort Dual Time is the very first Mido model to be powered by a Caliber 80 with a GMT function. The broad *Côtes de Genève* stripes punctuating the dial are reminiscent of the suspension cabling on the Sydney Harbour Bridge, whose architecture inspired the Multifort collection. With its many references to the past, the Multifort Patrimony pays tribute to Mido’s history. Behind its retro look is a state-of-the-art Caliber 80 movement.

### Baroncelli

Free, bold, elegant or provocative, Mido takes the world by storm with the new Baroncelli Wild Stone collection. These four unprecedented models exude a particularly intense vibe thanks to the Aventurine, Tiger’s Eye, Malachite or Tree Jasper adorning the center of their incredible white grained dials.

### Rainflower

Launched on November 22, 2018, the #CreateYourMido interactive campaign invited Mido fans to create the Rainflower watch of their dreams. For two months, some 30000 fans gave free rein to their creativity by trying out various combinations of case, dial, precious stones and bracelet processing. Among the 2418 different designs on offer, four models were chosen to make up the new Rainflower all-women’s collection, launched in July 2019. With its rounded, soft lines inspired by the architecture of Singapore’s ArtScience Museum, this collection is all about delicacy.



## Presence

Mido signed a partnership with the Red Bull Cliff Diving World Series, the most prestigious cliff-diving competition, to mark the 75th anniversary of the Ocean Star watch collection. The extreme precision, high performance and aesthetic purity of this event make it an ideal partner for Mido, whose values it shares perfectly. The grand finale of this competition took place on September 13th and 14th in Bilbao (Spain). This city, both close to the ocean and renowned for its exceptional architecture, was the ideal destination in which to celebrate the jubilee of the Ocean Star collection. The event began with the launch of the two new Ocean Star Tribute models. Guests were then able to enjoy the precision and performance of the cliff diving athletes, while enjoying a breathtaking view of the famous Guggenheim Museum. A thrilling experience.

Super-precision was also in the spotlight at regional events, particularly in France and Malaysia, focusing on models endowed with the Caliber 80 Si.

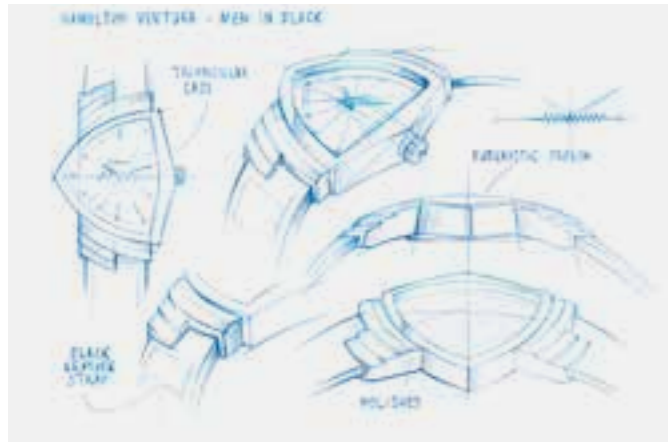
Taiwan and Mexico also paid a fine tribute to femininity with events highlighting the Rainflower, Baroncelli Wild Stone and Baroncelli LadyDay & Night models.







# AT THE HEART OF CINEMA



## Trends

During 2019, Hamilton celebrated its work at the heart of cinema. It proved to be the ideal backdrop for events, new product launches, recognition of the brand's many creative collaborations and its unbreakable bond with Hollywood. Since 1932, Hamilton's watches have appeared in over 500 major movies. The iconic Ventura is synonymous with the *Men in Black* agents and its custom-made watch for *Interstellar* helped advance the plot in one of the biggest movies in recent years. In addition to cinema-focused launches, Hamilton also presented new products from its aviation collection, a special collaboration and groundbreaking pieces which celebrated past achievements that changed the face of the watch industry forever.

## Creation

### Khaki Field Murph

The hotly anticipated arrival of the Khaki Field Murph fulfilled the dreams of many Hamilton fans at the beginning of the year. Following a key launch event in New York City, the watch was finally available for purchase in May. 2555 lucky customers received a special limited-edition box created by award-winning *Interstellar* production designer Nathan Crowley.

### Khaki Pilot Schott NYC

In 2019, Hamilton collaborated with world-famous leather jacket manufacturer Schott NYC. In addition to their American spirit, Hamilton and Schott share a rich history of supplying U.S. military pilots and a reputation for the functionality of their products. By combining a Hamilton Khaki Pilot watch with a Schott leather strap and presenting it in a handcrafted pouch, the brand created a true collector's item.

### Khaki Pilot Pioneer Mechanical

Powered by the awesome H-50 hand-wound mechanical movement with an 80-hour power reserve, the Khaki Pilot Pioneer is a reinterpretation of a vintage military watch produced for the British Army in 1973. It's a well-known name in Hamilton history and it is a military watch with real character.

### Chrono-Matic 50

To celebrate 50 years since Hamilton co-created Caliber 11, the first automatic chronograph movement ever produced, the Chrono-Matic 50 Limited Edition draws on the distinctive styling of the original 1972 model to offer an eye-catching piece for watch enthusiasts and collectors.



## Presence

The summer's blockbuster movie was *Men in Black: International*. The fourth instalment of the science fiction franchise saw Tessa Thompson star as Agent M as the world's favorite alien-fighting special agents moved to London to take on a new mission. The MIB once again donned their famous black suits, sunglasses and Hamilton Ventura watches to take on the scum of the universe on the silver screen. Hamilton supported the movie launch with a comprehensive marketing, social media and visual merchandising campaign.

The second season of the hugely popular streaming series *Tom Clancy's Jack Ryan* hit small screens in November. John Krasinski reprised his role as the titular agent, wearing the Khaki Field Auto Chrono in full black. It is a high-profile partnership that has raised awareness of Hamilton's American Spirit and Swiss Precision among a whole new audience.

A dedication to serving the flying community continued to put Hamilton at the top of the list for professional pilots' watches. Its Italian aerobatic ace Dario Costa made history when he became the first pilot to fly at low altitude over the majestic Swakopmund Dunes in Namibia. *Dreams of Flight*, directed by talented Jacob Sutton, is the name of the project uniting the brand's dedication to aviation and cinema that captured the imagination of Hamilton fans and followers all around the world.





flik flak

## TIME MAKES THE WORLD GO 'ROUND!

### Trends

Flik Flak is still top of the class when it comes to teaching kids all over the world to tell the time. Fabulous new products and amazing events brought learning and laughter to 2019.

### Creation

The educational *Telling the Time* app saw Flik and Flak communicating in ten languages last year. A new design, a game sharing facility, and a bonus level earned full marks for this way of learning from kids and grown-ups everywhere. As the beginning of the school year approached, the Going to School watches were right on time to keep learning looking good. Other themed collections, taking in creativity, island hopping, enchanted forests, and space travel ensured that there was never a dull moment.

### Presence

Events in different countries guaranteed fun times to remember. What better inspiration than the Ticking Island collection? In Mexico and Australia, mummy bloggers and their kids dived into creativity sessions and games. The vacation vibe was delivered courtesy of tropical food and drinks. "Happy hours" took the form of lots of positive coverage. The exotic wave spread to Turkey and Poland. In those countries, successful influencer events cleverly mixed activities related to learning to tell the time with smoothies and cookies. This generated a huge stream of popular Instagram stories. At a summer event in Munich, the kids of bloggers and influencers turned their hand to fabric printing to put the finishing touches to their back-to-school gear.

The imagination took center stage in London and Tokyo this year, supported by the Mystical Woods and Futuristic watch families. A Christmas party in September with influencers from ten European countries was the backdrop for preparing festive digital communication material. In Tokyo, young guests synchronized their new watches with the Flik Flak app, while tasting organic brain food. Continuing in the technology vein in Taiwan, the time-telling app was a hit, alongside a photo booth complete with guitar and microphone.



TOURBILLON  
BOUTIQUE

## EXCLUSIVE AND PERSONAL

Each year, Tourbillon presents some of Swatch Group's most compelling brands in its network of boutiques, now located at 13 exclusive addresses in the United States, Europe, and Russia. 2019 was characterized by high-profile events, the sale of some incredible timepieces, and a growing relationship with clients.

### Events

In 2019, Tourbillon invited its clients to experience two of Europe's most compelling sporting events: Blancpain's classic Total 24 Hours of Spa endurance motor race in Belgium and the Omega European Masters in Crans-Montana, Switzerland, where world-class golf was on display.

VIP clients discovered the fine art and craft of *Haute Horlogerie* during Manufacture visits to the sites of such prestigious brands as Breguet, Blancpain, and Jaquet Droz as well as the Omega Museum.

Boutiques hosted events, including the Blancpain Fifty Fathoms Presentation in San Francisco, an Omega Speedmaster cocktail party in Lugano, and Jaquet Droz's year-end celebration in Moscow. Tourbillon sponsored Montreux's *Nuit de l'Hôtellerie*, organized annually by the region's hotels. Clients' children were welcomed to the popular "Meet Santa Claus" event in Lausanne, where Father Christmas greeted young visitors in a festively decorated Tourbillon boutique.

### Sales of exceptional timepieces

Each year, Tourbillon boutiques distinguish themselves with the sale of some particularly noteworthy watches and 2019 was no exception. Among the timepieces that thrilled new owners were a Breguet Tourbillon in platinum, a Blancpain Villeret with a traditional Chinese calendar complication, and a bespoke Jaquet Droz Minute Repeater.

### Optimizing the environment

In 2019, Tourbillon concentrated on providing a professional and personal shopping experience for each customer by combining the highest standards of presenting exclusive timepieces with an individual connection to watch connoisseurs, always relating to each brand's uniqueness and individuality.







# A BALANCED YEAR

In 2019, the Hour Passion brand maintained its approach to global expansion: offering iconic watch brands, relying on their quality and strong emotional impact, communicating their creativity, and making it a priority to welcome customers by ensuring an attentive approach to each one.

Specialized in the distribution of watches and jewelry from the entry-level to the luxury segments of Swatch Group, the multi-brand concept continued its development and at the end of 2019, had 55 points of sale in 21 countries in Europe, Asia and North America.

In France, at Paris-Orly Airport, Hour Passion opened two new points of sale which were parts of the modernization project carried out by Aéroports de Paris. One is located in Hall 1 and the other in Hall 3, the brand-new junction building that opened in the spring. These new positions were complemented by a Swatch offering with the establishment of two stores, both in Terminal 2 at Paris-CDG, one in Hall M and the other in Pier F1.

In the "Premium" category outlet villages, Hour Passion opened four boutiques: in Vnukovo (Moscow), Citygate (Hong Kong), Central Village (Bangkok), and Las Vegas North Premium Outlet (Las Vegas).

In pursuing its strategy, the brand has achieved balanced geographical development.

Similarly, Hour Passion supplied high-impact products, offered optimized communication and digital activation to strengthen the desirability of leading Swiss brands in their segments and invite consumers to join them.

Improving quality through work on boutique product mixes, conscientious operations management, and precise targeting of training programs for sales teams remains a major focus for the coming year.



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

# SWATCH ART PEACE HOTEL

In 2019 the Swatch Art Peace Hotel in Shanghai turned 8: a joyful and lucky number that carries plenty of meaningful and positive messages.

The celebration was marked by a day of "open studios", with all artists present welcoming guests and friends, and transforming the location for one memorable day into the most vibrant contemporary art spot in Shanghai. A special performance was offered by the artist group Passepartout Duo, and it was incredibly inspiring to listen to their project, knowing that they had traveled by train from Europe all the way to Shanghai.

At the same time, "Swatch Art Connections", a virtual exhibition, was launched on the Swatch Art Peace Hotel website, regrouping, under one virtual roof, every artist - all of them former guests of the Swatch Art Peace Hotel - who had collaborated with Swatch during the last eight years. It was a veritable gallery of inspiration, imagination, positive energy and amazing artworks, ranging from

the creation of Swatch art specials to multimedia projects to exhibitions offering an unexpected way of looking at the artists' work and discovering in parallel Swatch's commitment to the arts. The virtual exhibition was also presented on the websites of some high-profile art institutions such as the Peggy Guggenheim Collection and the Rijksmuseum.

2019 marked the launch of the new Swatch Art Peace Hotel watch, Timeless Landscape, whose elegant and inspired style was designed by former Chinese artist-in-residence Han Feng.

The Swatch Art Peace Hotel, continuing a tradition started in 2015, was, for the third time, a main attraction within the Swatch Faces program at La Biennale di Venezia from May to November.

In the magical and fascinating atmosphere of the Arsenale, more than 600 000 visitors were able to enjoy artworks by four former artists-in-residence. Audiences were intrigued by American







artist Tracey Snelling's fascinating multimedia installation; by Chinese Jessie Yingying Gong with her embroidered work on calligraphy; by Spanish artist Santiago Aleman's uniquely colored and textured polyptych; and by the stitched "magic sticks" in the installation of South Korean Dorothy M Yoon, representing a mix of western and eastern symbols, all of which contributed to create a truly magical moment. Every former Swatch Art Peace Hotel artist was present in spirit, as their portraits and names provided the background to the pavilion.

As part of the newly developed program to expand communication about the Swatch Art Peace Hotel and its unique and still unmatched role within the global art and creative scene, the four artists invited to La Biennale also presented their work in the recently inaugurated Swatch headquarters in Biel/Bienne, Switzerland, interacting with guests and sharing their stories of Shanghai.

Many people have asked to visit the Swatch Art Peace Hotel, as it is becoming an increasingly relevant sign of the Group's vision and passion for the arts as a form of free, meaningful and positively provocative expression. Some high-profile events were held during the year, from press conferences to talks.



2019 was a year that included some transformation at the Swatch Art Peace Hotel. For example, greater demand in the music field led to the creation of a studio whose soundproof environment was ideal for composers and music rehearsals.

Altogether, 40 artists were hosted in 2019, bringing the total number invited since its opening to 366 from 51 countries. Remarkable, indeed.



CITÉ DU TEMPS

# CITÉ DU TEMPS

Cité du Temps is a special place entirely dedicated to time. It unites – under one roof – the playful, cheerful style of the Swatch brand and the luxurious character of Omega, offering its visitors an opportunity to explore two different worlds of watchmaking represented in two museums: PLANET SWATCH and the Omega Museum.

### PLANET SWATCH

Across the street from the new Swatch HQ building in Biel, in the newly built Cité du Temps, the new "non-museum" known as PLANET SWATCH welcomes visitors from around the world. The "wristory" of the brand can be explored following different colored paths that allow every visitor to choose the most personal way to enjoy Swatch's three major pillars – Lifestyle, Art and Sports – and to travel across time by enjoying over 6000 Swatch designs displayed on interactive conveyor belts. Every type of visitor can select the best way to get in touch with Swatch: for the creative ones, there is a dedicated art area; for the active ones, there is a place to play interactive sports games; and for the curious guests, there are screens where the brand's story can be rediscovered through Swatch's most memorable advertisements and commercials. It's a planet with many satellites!

Since the early 1980s, Swatch has created an astonishing range and variety of watches. Along with product collections, prototypes, technical drawings and original artwork, special packaging and technical innovations are presented and define the pioneering and creative spirit of Swatch – together, they tell the fabulous tale of the most revolutionary, inventive, inspiring, and exciting of all the Swiss watch brands.

Innovative, transparent, surprising, entertaining, artistic, colorful, head-turning – all aspects of the brand's DNA find expression at PLANET SWATCH. Among the most fascinating are numerous Swatch Art Specials by artists, filmmakers, photographers, painters, musicians and more. Special attention is given to Swatch Club and Flik Flak, and visitors can even design their own personal Swatch with Swatch X You, a uniquely innovative platform enabling customers to create their own Swatch watches from a variety of artwork.

In addition, entry to PLANET SWATCH is free, whether for a Swatch fan with only enough time for a brief visit or an enthusiast who can enjoy a full day exploring the world of Swatch.







**The Omega Museum**

The original Omega Museum was the world's first museum to be dedicated to a single Swiss watch brand. It had long been the guardian of the brand's unique history and a home for some of the most important Omega watches.

In 2019, it was time to move! Now at Cité du Temps, Omega's new Museum tells the compelling story of the global watchmaker through immersive movies, captivating showcases and interactive experiences.

Each visit begins with a walk across a large world map on the floor embedded with digital readouts of exact times from locations across the globe. Before guests proceed, they can travel back through time with an immersive 360° video that tracks humankind's quest for precision, from the earliest clocks to the most modern movements.

Omega's own history unfolds in the most appropriate way – through a 50 meter steel bracelet whose links comprise 64 transparent 'treasure windows', each one revealing a unique artefact.

If you've ever imagined yourself as an Olympic Games athlete, you can try your skills on a 9 meter track, where Omega's photo-finish camera will capture you crossing the finish line! You'll get a printed photo of the moment and learn about the brand's history as Official Timekeeper of the Olympic Games.

Next stop: the Moon! Visitors are encouraged to launch their imaginations into orbit. With a lunar surface and a Lunar Rover parked nearby, guests can explore Omega's fascinating space story through videos, photos, NASA technology and the many historically-significant versions of the iconic Speedmaster 'Moonwatch'.

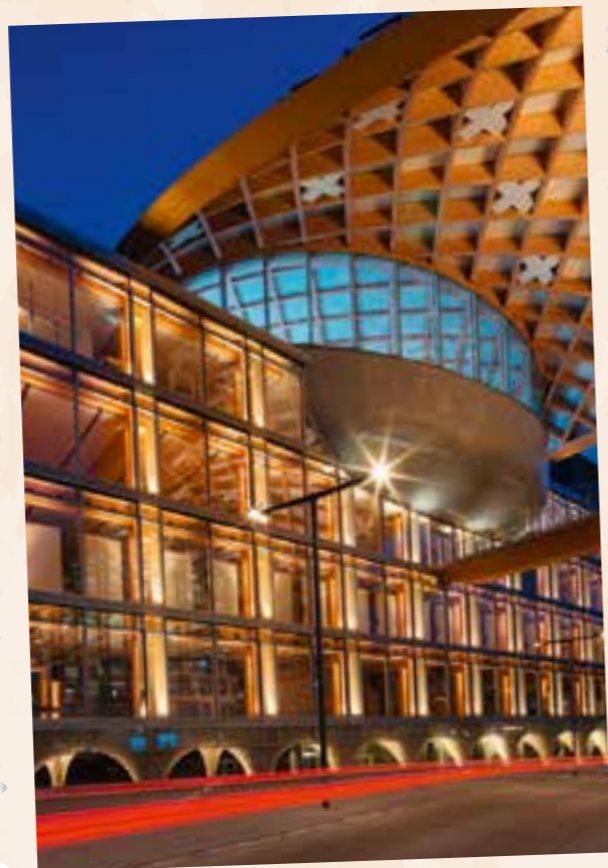
If you want an even closer look at the Speedmaster, the Museum houses a giant walk-in version of the watch. Inside, a cinema screen features animations of the famous Co-Axial escapement.

There's also a chance to discover the timepieces worn by the world's favorite spy! A full collection of James Bond watches since 1995 shows 007's changing styles and gadgets.

The 'Her Time' exhibition displays over 100 years of Omegas for women, following their evolution from early Lépine pendants and the Ladymatic to secret jewelry watches.

In addition to the Omega Museum's permanent exhibitions, there are special presentations of the brand's latest achievements – where something new is always on display.

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**PRODUCTION**

**WATCHES / JEWELRY**







**ETA MANUFACTURE HORLOGÈRE SUISSE**

1/2/3

ETA Manufacture Horlogère Suisse once again demonstrated, in a challenging economic and political environment, its resilience by stepping up its efforts during 2019.

These endeavors, whether in terms of operations or new developments, were made possible by an agile and collective approach. In order to maintain this adaptability, the company management was renewed mid-year. The organization was redesigned around an executive board benefiting from multiple types of knowledge and experience, in order to guarantee the quality of the products and the efficiency of the services for which ETA is renowned. After a few adjustments, a stronger guiding structure is now in place in the face of the challenges facing the firm.

As far as mechanical products are concerned, Omega's emblematic Moonwatch movement was transformed to meet the criteria for Master Chronometer certification. The ETA A90.A02/Omega 3861 caliber notably features a Co-Axial escapement and a silicon balance-spring, which endow it with excellent chronometric performance and strong resistance to magnetic fields. Adapting this movement to the most demanding current certification without changing its aesthetics was a challenge taken up in time for the 50th anniversary of humankind's first steps on the Moon. For the same brand, ETA produced a first movement in titanium for the Seamaster Aqua Terra "Ultra Light". The movement, with its baseplate and bridges made of gamma titanium, a light and resistant alloy, was duly delivered thanks to meticulous adaptation of machines, tools and cutting speeds (ETA A16.A02/Omega 8928). In addition, an automatic mechanical movement with date and moonphase function at 6 o'clock was produced exclusively to round out the Master Collection line by Longines

(ETA A31.L91/Longines 899). Furthermore, fitting certain mechanical movements with the new balance spring in Nivachron™, an alloy resistant to magnetic fields, brought magnetic resistance within reach of entry-level and mid-range brands. Witness the Certina DS-1 Big Date Powermatic 80 Special Edition (ETAC07.651), which was equipped with this new Swiss Made balance-spring to celebrate the 60th anniversary of the DS concept.

Just as with mechanical movements, customer expectations for quartz products were high and ETA's responses were bold. Such was the case with the release of the NTC NeoTroniC, a new type of movement that now equips seven Rado watch models (Rado Coupole Classic Chronograph/ETA E57.251). In addition, the progressive replacement of older calibers (ETA 955/956) in favor of movements equipped with technologies such as HeavyDrive and PreciDrive has made it possible to reduce and simplify the collections. Innovation thus remains at the heart of the company's activities.

With the release of the limited-edition Swatch Flymagic, the very first watch equipped with a Nivachron™ balance spring, ETA demonstrated all its innovative strength on an already existing caliber. Combining external revolution and internal evolution, the Flymagic is powered by an inverted Sistem51 movement. The gears of this movement have been modified in order to create a new face with, in particular, a seconds hand turning counterclockwise. In addition, the production of the new Swatch Big Bold, interpreted through six models, required particular attention. The assembly lines were adapted in order to match the design and size of the new watch exterior elements.



**MECO**

4/5/6

At Meco, 2019 was devoted in part to the introduction of new construction standards for the sealing of components, both for new and existing products. This complex project was successfully completed on behalf of the Swatch Group brands.

2019 was also a pivotal year, with a major logistics project aimed at adjusting production capacity to customer orders, thus reducing delays. The second part of the year was dedicated to the introduction of brand forecasts to anticipate orders, allowing needs to be met efficiently and flows to be optimized. Numerous indicators now enable the company to be managed on a day-to-day basis.

Micromechanics and Meco now have a single and shared management structure. This sharing of technical, logistical and quality information enables the two companies to collaborate more closely, with the aim of serving all Swatch Group brands with quality products.



**CHH MICROTECHNIQUE**

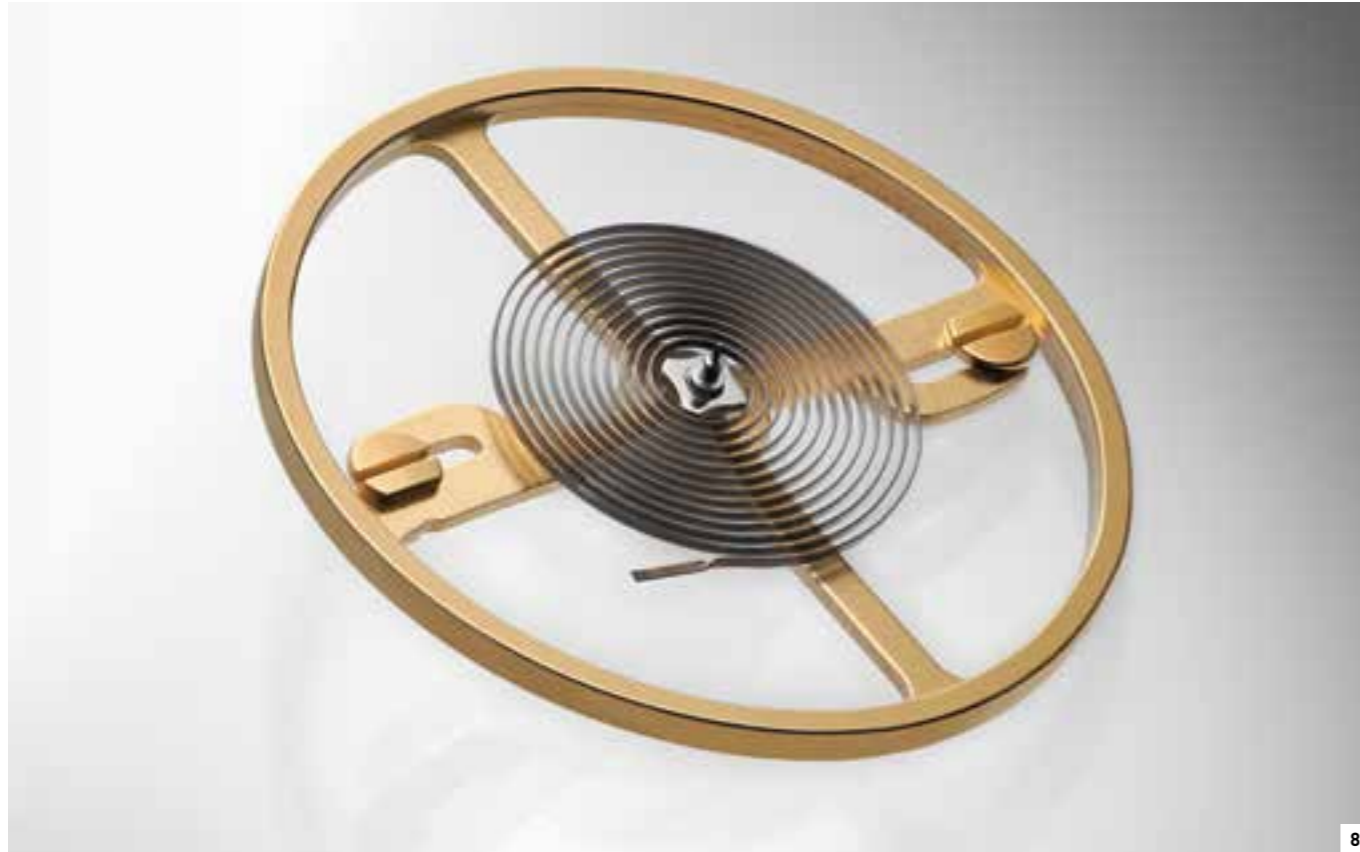
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As announced at the end of 2018, and having been granted planning permission, CHH Microtechnique began construction work on its new building in April 2019. The modern and functional building will allow the current six production sites to be concentrated into just one, while providing state-of-the-art infrastructure. These new surface areas, covering 12000 m² and dedicated to production as well as new lines of equipment, will enable CHH Microtechnique to optimize its activities: simplifying flows while improving both productivity and responsiveness to customer requests. The progressive relocation is scheduled for late 2020 to early 2021.

In line with this new building, CHH Microtechnique has continued its organizational transformation, particularly aimed at strengthening coordination between support services and production.

The second major event in 2019 was the creation of a new product line that was a first for CHH Microtechnique, as well as the co-development of highly technical products. These achievements are clearly in harmony with the company's strategy of being a true partner for brands, capable of sharing its expertise in the development of movement components while also demonstrating an innovative approach.





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Regular investments in the renewal and extension of the machine fleet have also contributed to extending CHH Microtechnique's technological and productive capacities. In 2019, these investments notably served to replace a large part of the bar turning equipment, a spark erosion machine, and various equipment related to finishing, stamping presses, and also to renew equipment in the metallurgical analysis laboratory and to acquire a new automated cleaning machine.

#### NIVAROX-FAR

8/9

For several years, Nivarox-FAR has been developing materials to improve movements' timekeeping precision and the aesthetics of Swiss Made mechanical watches for Swatch Group, while adapting to new regulations as well as environmental and health protection standards.

Reflecting this momentum, 2019 saw Nivarox-FAR accentuate its efforts to develop various non-magnetic materials in response to the constraints of our increasingly magnetized modern society. They serve to increase the chronometric performance of movements: on the one hand by means of DRIE technology with deep plasma etching used for silicon balance-springs and escape-ments; and on the other hand with the UV-LIGA technique that uses material growth to produce micro-components notably integrated into escapements operating via lateral impulses, such as the Co-Axial escapement. These technologies provide an unprecedented degree of freedom in terms of geometry and technical development. So-called "non-pivoting" escapements can now be produced and will lead, in the coming years, to significant improvements in the operation of watch mechanisms. In addition,

non-magnetic balance springs in Nivachron™ (a titanium-based alloy) were developed in 2019 for several Swatch Group brands. They already equip tens of thousands of movements and that number will continue to grow in 2020. At the same time, the different developments in Nivagauss material enable the manufacture of non-magnetic pivots (balance staffs, lever shafts and pinions), which are some of the components required to produce watches capable of resisting a magnetic field of 15 000 gauss without any disturbance. Today, the quintessence of this work has led to the creation of Omega's Master Co-Axial movement.

2019 enabled Nivarox-FAR to achieve further breakthroughs in the development of lead-free and beryllium-free materials. Research on non-magnetism and the removal of lead and beryllium led to new studies of materials that meet these different needs. The work will continue in 2020 with the development of materials that preserve the planet as well as personal health.

During 2019, Nivarox-FAR laboratories created new precious materials, such as Omega's Moonshine™ gold. This bright yellow gold is used for the watch exterior components adorning Omega's limited series produced in tribute to the 50th anniversary of the Apollo 11 Moon landing. The work carried out also made it possible to create Omega's new Sedna™ rose gold, which is now featured on the Swatch Group's top-of-the-range watches.

In order to develop these new materials as well as those of tomorrow, Nivarox-FAR has invested heavily in developing and reinforcing its laboratories, in particular by recruiting several engineers from the Swiss Federal Institute of Technology in Lausanne.

Thanks to a rigorous policy in the field of waste recovery and sorting that was implemented years ago, Nivarox-FAR has reaped the fruits of its efforts and improved its ecological impact. At the same time, in collaboration with Belenos, Nivarox-FAR has re-



9

duced its CO<sub>2</sub> emissions. Accordingly, more than three million Swiss francs were invested in air conditioning and ventilation management at the site in Fontaines (NE) in order to achieve the targets defined for 2019.

Holding fast to the course it has set, Nivarox-FAR continued to support training in 2019. Its nine apprentices all successfully earned their diplomas (Federal Certificate of Capacity/*Matura*) in seven different professions, thereby enhancing the company's long-term perspective.

#### COMADUR

10/11

In 2019, Comadur continued to invest in all its production lines. The year saw a very significant increase in ceramic bezels, for which Comadur increased its production capacity, notably by starting up a new site in Boncourt. At the same time, in order to magnify this type of component, electroforming capacities in Ceragold® technology were also increased. In addition, the Technical and R&D departments focused on the development and industrialization of numerous new ceramic colors, showcased in the True Thinline Les Couleurs™ Le Corbusier models. The latter includes nine colors, eight of which were developed for this new collection. Omega was also able to highlight new orange and burgundy ceramics in the Planet Ocean collection as well as the iconic Speedmaster specially developed for the 50th anniversary of the Apollo 11 mission.

In keeping with the investment strategy for the Swiss Made sapphire glasses, several projects were launched, in particular with the acquisition of new anti-glare equipment using plasma technology. To reduce throughput times, Comadur continued vertical



10



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integration of its sapphire crystal production by transferring activities from Les Brenets to the Chevrolet site. The latter now houses a small and medium series unit for the manufacture of complex sapphire crystals for prestige and luxury brands.

Several investments were made for the Micro-Components line, in particular through the acquisition of new state-of-the-art equipment that will make it possible to offer innovative products with complex shapes that are currently impossible to produce using traditional processes.





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**RUBATTEL ET WEYERMANN**

12/13

Rubattel et Weyermann integrated a new Grenchen-based production unit in January 2019. Through this acquisition, the company is confirming its position as the benchmark dial maker for the different Swatch Group brands, while pursuing its strategy of dedicating capacities to each customer in order to guarantee their satisfaction and respect their specific needs.

Particular attention was paid to the development process. Speed, agility and innovation in terms of the proposals made to customers were major concerns during the past year. Combining the company personnel's expertise with new technologies and embedded automation served to help develop and produce innovative models. The organizational structure also continued to increase its skills with the integration of certain professions such as applying luminescent materials, a specific skill requiring significant investment in terms of training.

Supply chain partners proved crucial to achieving the objectives. The strengthening of ties with partners and suppliers through a better understanding of the company's activities and requirements made it possible to successfully support its industrial operations.

**MOM LE PRÉLET**

14

MOM Le Prélet, now totally dedicated to Swatch Group's prestige brands, finalized the roll-out of its operational strategy and set about developing and producing the most complex dial models currently required. As part of its learning process, MOM equipped itself with new multi-purpose tools, including five-axis machines. With their modest size, increased flexibility and high-frequency spindles, these offer a formidable means of producing highly complex components, while drastically reducing the number of corrective operations and throughput times.

The traditional skills and techniques that have contributed to MOM's success in the past continue to be cultivated. In 2019, MOM inaugurated its new enamel department (*Petit Feu* and *Grand Feu* enamel) in order to offer and produce its own colors, resulting in fewer intermediaries, greater visibility, better process control and more internally added value. In this way, MOM is perpetuating the factors that have consistently driven it, namely innovation, adaptability and anticipation of customer demands.



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18

**UNIVERSO**

15/16/17

2019 was a year of many changes, mainly characterized by a broadening of Universo's range of competences, along with an optimization of its production management.

Despite lower volumes compared to the strong economic environment in the previous year, 2019 enabled Universo to increase its responsiveness to fluctuations in demand. To achieve this, a supply chain was set up at the commercial and logistical levels, in parallel with optimization of its manufacturing processes.

As part of the same dynamic, Universo strengthened its quality sector through ever-more efficient control of the receipt of deliveries from its suppliers in order to guarantee optimal production. At the same time, continuous training enabled the company's staff to become increasingly efficient in order to meet the growing demands of its customers in an appropriate manner.

2019 also saw a major renewal of the company's Executive Board. These changes have, in part, enabled the reorganization of several sectors of the firm in order to accentuate new synergies.

The company's 110th anniversary year also saw Universo extend its traditional competences to the field of hesalite watch crystals. This production requires specific expertise in order to make the most of the advantages offered by this type of crystal (minimal glare, an effective barrier against ultraviolet rays, and impact resistance that prevents splintering). NASA, among others, benefitted from these qualities from the time of the first space missions whose astronauts wore Omega's famous Moonwatch.

**MANUFACTURE RUEDIN**

18

In order to continue to meet the quantitative and qualitative requirements of its customers, Manufacture Ruedin has had to optimize its organization. This has led to a strengthening of collaboration with ETA Boncourt and a total 5000 m<sup>2</sup> surface area has been rented in a brand-new building. This enabled the machining department to join the bar-turning department during the summer.

In 2019, the Jura-based manufacturer pursued its role of supporting the development of new products for Swatch Group brands. For Omega, important work was done for the launch of the Speedmaster Apollo 11 and the Seamaster Diver 300M James Bond Limited Edition. For Longines, resources were mainly focused on three product lines: Conquest with the development of the 29.5 and 34 mm sizes; Flagship with the creation of the 40 mm case size; and Spirit with a new range of 40 and 42 mm and chronographs of 42 mm. For Rado, attention was directed on color variations for the Centrix line.

Particular effort was also devoted to significantly reducing the firm's carbon footprint. The various measures taken will enable a drastic cut or even complete elimination of plastic cups and spoons as well as cutting fluids.



# LASCOR



19



20

## LASCOR

19/20

In 2019, Lascor consolidated its role as a producer of steel bracelets for Swatch Group's high-end brands. Lascor is increasingly a Swatch Group service company capable of responding with great flexibility to the brands' market demands.

The company considerably raised its quality standards thanks to a careful and widespread roll-out of the practice of self-checking by each production operator, who is directly responsible for guaranteeing the quality of the product being manufactured. The most obvious results of the quality improvement action are a reduction in delivery delays of more than 90% compared to 2018 and a steep increase in the service rate.

The new production site at Casorate Sempione, which opened in 2017, is now fully operational. It is in charge of machining semi-finished products and components, which are then finished and assembled for the complete bracelet at the Sesto Calende site. The rolling and drawing production line reached quality standards and volumes enabling the company to sell and supply high-quality drawn and rolled steel products on a regular basis.

From an environmental standpoint, the company achieved significant results thanks to the investments made in industrial wastewater treatment and, in recent years, has continued to improve worker safety indicators.

# SIMON & MEMBREZ

HABILLAGGIO HORLOGER HAUT-DE-GAMME



21



22

## SIMON ET MEMBREZ

21/22

2019 turned out to be a record year for Simon Et Membrez despite a year-end market lull.

Activities involving the production and delivery of cases, bracelets, buckles and clasps for the luxury, prestige, and high-end segments continued to follow the trend that began in 2018, with strong growth again in the year under review.

The substantial investments supported by Swatch Group, the good cooperation and support of the Swatch Group brands, the cross-functional relationships with all its sister production companies, the dynamism instilled by the new management and the involvement of each and every employee of the company enabled Simon Et Membrez to demonstrate its full potential in terms of know-how, quality and professionalism within Swatch Group.

There is still a long way to go, and there are still many opportunities and improvements to be made. Simon Et Membrez and its employees have no doubt in their ability to handle the innovative, cultural and political challenges they will face in 2020 and thus continue their growth towards excellence.

# NOVI SA



23



24

## NOVI

23/24

In 2019, in order to stay competitive in the field of assembly while also aiming for continuous improvement, Novi consolidated its services by creating logistics, production planning, and quality departments. These serve to provide the necessary support for production while working to improve processes.

Novi remained flexible while maintaining a level of quality corresponding to the specific requirements of its various customers. T2 (watch finishing) quantities remained on the same level as 2018 overall, but with a shift towards more complex products. An inspection unit was created to centralize the control of watch heads and provide employees with the best possible working conditions.

It is thus with highly motivated employees and services entirely geared towards customer satisfaction that Novi is looking forward to taking up the various challenges ahead.

# SWATCH GROUP

THE SWATCH GROUP ASSEMBLY SA



25



26

## SWATCH GROUP ASSEMBLY

25/26

Competitiveness and innovation are the driving forces behind the new challenges taken on by the company based in Genestrerio.

In 2019, Swatch Group Assembly, following a study of production flows, reorganized its different departments divided by brand, and in April inaugurated the new building in the neighboring commune of Stabio. This new site houses bracelet assembly, packaging and logistics services. The movement storage service for the Tissot brand was newly installed there, paving the way for new opportunities for collaboration by diversifying the activity in a competitive manner.

Compliance with high quality standards and the trust-based relationship established with Longines led Swatch Group Assembly to apply lean methodology, marking the definitive transition from a production line approach to cellular manufacturing. The extraordinary results of the first tests and lead times are an encouragement to conduct feasibility studies for other departments of the Ticino-based company.

Swatch Group Assembly is asserting its market and territorial positioning. On the one hand, the company is encouraging the sharing of resources and know-how with other Swatch Group companies; and on the other, it is establishing and strengthening relations with institutions and local authorities, thereby reinforcing its role as a leading economic player.



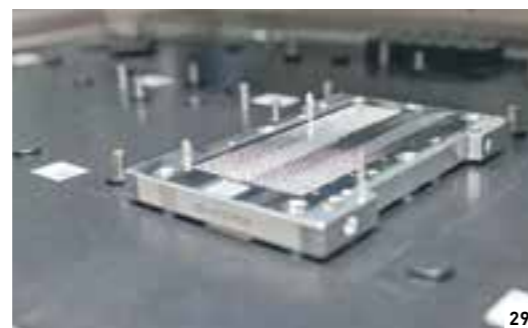
DYB



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**DRESS YOUR BODY (DYB)**

27/28/29

DYB continued its entire range of activities relating to its artistic crafts, from lost wax casting to jewelry, chamfering, engraving, *Grand Feu* enameling and gem-setting, along with polishing, fitting and rhodium-plating. From design to the completely finished piece, the company has been able to develop and produce numerous exceptional models for all its high-end and luxury customers, including Breguet, Harry Winston, Blancpain, Glashütte Original and Jaquet Droz.

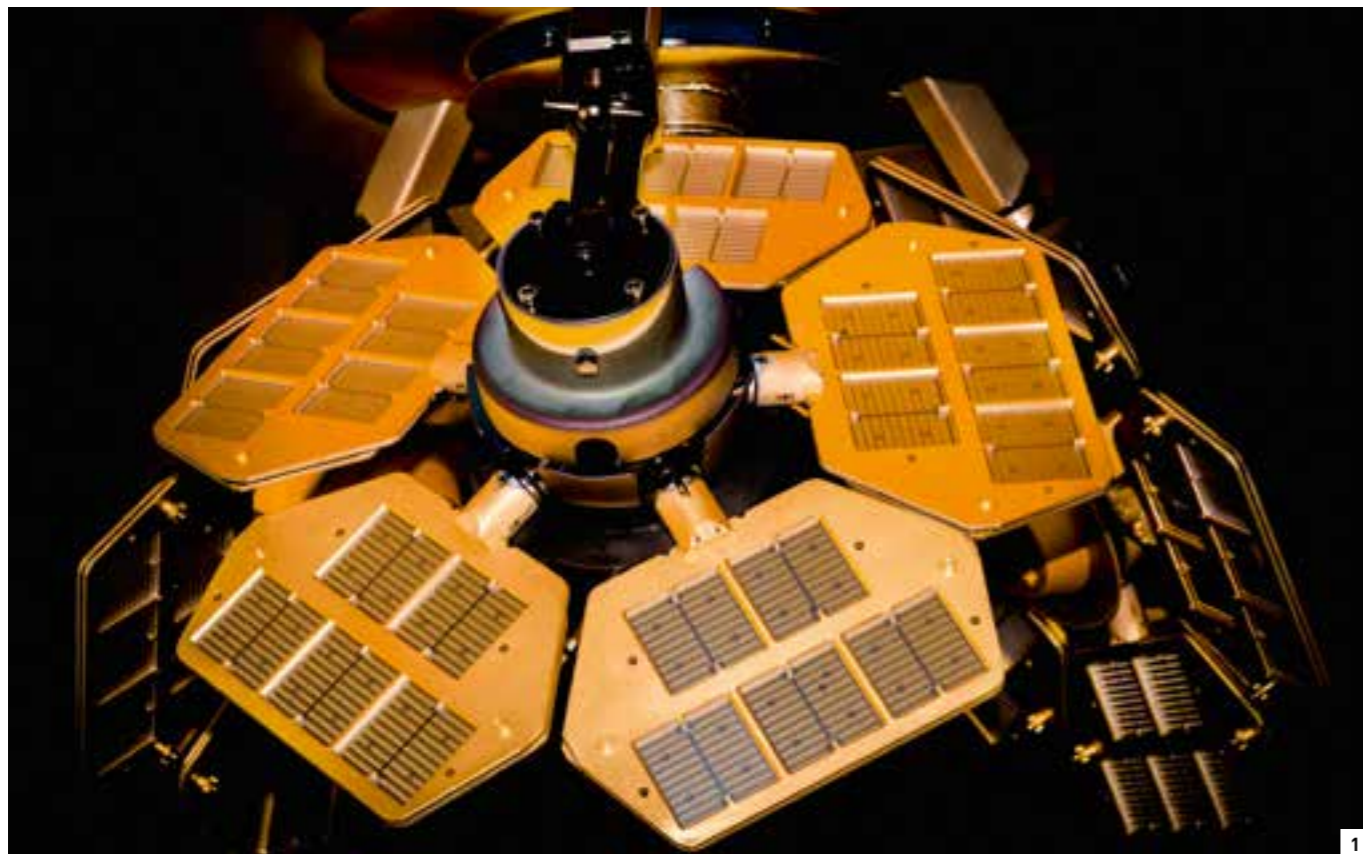
For Omega, diamond stars gave a special sparkle to the snow-set pavé motif adorning the new Constellation bracelet. The delicate gem-setting work, involving a range of subtle light effects, endows the star with ultimate brilliance. In a freshly radiant interpretation of an enchanting traditional art, delicate *Grand Feu* enamel lent an expressive shimmer to the dial base of the Omega De Ville Trésor 125th Anniversary Edition.

DYB is now emerging as the Swatch Group production company capable of producing complex models with high added value in small and medium series. Alongside its artistic crafts, and thanks to the excellent work carried out upstream by the Nivarox-FAR industrialization team, DYB took an important step in the automation of diamond setting with the transfer from Nivarox Fontaines of a five-axis CNC machine able to set diamonds without any size-related constraints. This automation will in the medium term help reduce the cost of gem-setting models produced in large series. With the help of its entire staff and its internal Innovation Committee, DYB offers its customers innovative ideas related to new materials or new technologies, such as the setting of diamonds with carbon fibers and the development of a new full-set jewelry crown.

## ELECTRONIC SYSTEMS







## EM MICROELECTRONIC

1/2

In 2019, EM Microelectronic continued on its growth trend in spite of a negative business environment. The company managed to outgrow its market significantly thanks to a balanced product portfolio.

EM continued to build on its watchmaking DNA to develop innovative True Ultra-Low Power (TULP) applications around Green Internet of Things (IoT) and user-friendly smart objects. The pillars are time, energy, sensing, interfaces, communication and customization, all supported by a solid industrial footprint for providing Swiss-quality, tailor-made solutions that make EM's customers unique.

The effort to diversify the company's business portfolio paid off, as EM could reduce exposure to single markets, customers or applications, with about 15% of the revenue coming from new business acquired over the past two years in new markets.

In terms of regional trends, USA showed the strongest growth, while Europe and Asia remained relatively flat.

The electronic module business displayed outstanding growth in 2019, doubling its revenue compared to 2018. EM launched new products powered by its flagship EM9304 Bluetooth Low Energy chip and ramped up key programs in mass volume.

EM introduced several important programs supporting strategic Swatch Group needs, including a new generation of watch microcontrollers and innovative energy harvesting solutions, as well as some groundbreaking display modules, such as printed OLED displays.

In the RFID segment, EM consolidated its leadership position in the vehicle identification market and continued to drive the adoption of dual frequency RAINFC technology, which displayed substantial growth, driven by product authentication. With hundreds of millions of chips in the field, this innovative concept created by EM is becoming a mainstream market trend as a key enabler of omnichannel consumer engagement for brands.

In the Smart Systems segment, EM continued to develop its specialized, extremely small solutions for phones, PCs and tablet accessories, integrating sophisticated sensing and True Ultra-Low Power (TULP) signal processing capabilities.

The Motion and Optical Sensing business delivered consistent performance in the optical sensors and pressure sensor interface products for the consumer electronics sector.



In 2019, EM'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 the company's strategy. The first wafers have already been produced, with the new products based on this technology scheduled for release in 2020.

In 2020 EM Microelectronic expects to continue the same growth trend, based on a balanced customer and application portfolio, to outperform the market. In order to enable this growth, EM has also made significant changes in its regional business coverage, with a significant increase in focus on China and USA.



## RENATA

3/4

The miniature battery specialist can look back on a successful 2019. Demand for Renata products increased in all segments despite the sometimes complex and constantly changing market conditions. The company had to adapt to the trade relations between China and the USA and to the increasingly stringent requirements for the transport and packaging of button cells. Despite the even more difficult environment now faced by quartz watches, Renata was able to supply watch retailers and repair centers around the world with a large volume of silver oxide button cells, mainly by gaining market share in the watch replacement market. The optimization of its distribution network bore fruit. For example, a new distribution center with a central warehouse was opened in southern China.

In addition, many well-known battery brands continue to depend on the quality and reliability of the Swiss manufacturer in this sector. Renata again benefitted from the worldwide increase in demand for lithium primary button cells to an extent that was significantly above-average. This success was due, in particular, to its new CR2032-type products with the best energy density in the world. In the industrial sector, Renata secured many new projects by refocusing on its core assets. In addition, new products emerged, such as flexible thin-film electrochemical cells and rechargeable button cells. The first development projects are indeed currently in the launch phase. 2019 was also marked by the commissioning of the first new high-performance line for silver oxide cells, which represents a major milestone in the production technology for this type of button cell.





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As it does every year, Renata supported its activities through its participation in numerous trade fairs and exhibitions, including in collaboration with sister Swatch Group companies. It once again took part in congresses on wearable technologies, this time in Munich and Tokyo, as well as at the EUHA (European Union of Hearing Aid Acousticians) Fair in Nuremberg and the Battery Experts Forum in Frankfurt. As in previous years, Renata participated, along with Micro Crystal, in the MD&M in Anaheim (USA), the Medica Fair in Düsseldorf (Germany) and the IDTechEx Show in Santa Clara (USA), as well as Embedded World in Nuremberg along with EM Microelectronic and Micro Crystal. In Asia, Renata attended the watch fairs in Hong Kong and Shenzhen and the China International Import Expo (CIIE) in Shanghai.

#### MICRO CRYSTAL

5

The high-precision integrated watch modules developed by Micro Crystal over the past years have now been industrialized. In 2019, the company produced, as in prior years, several million of these devices. An ultra-precise version of this module is used in the manufacture of an ETA quartz movement for V.H.P. (Very High Precision) watches from Longines. This watchmaking module achieves much higher operating accuracy than a conventional quartz movement, with lower power consumption and reduced dimensions.

Micro Crystal's transformation from a pure producer of quartz watch crystals to a manufacturer of highly integrated and more complex products continued in 2019. This strategy has enabled the company to maintain its profitability in the highly competitive global electronic components market. However, despite this specialization, Micro Crystal has also established itself in the mass market for low-frequency quartz crystals, with an annual production volume of several hundred million units. Such quantities are necessary to produce at a competitive cost on a photolithographic production line. In 2019, Micro Crystal continued to invest in modern production equipment in response to the market trend towards ever-smaller quartz crystals and quartz modules.



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Today, Micro Crystal achieves most of its turnover outside of typical watchmaking applications. Its quartz crystals for implantable devices such as pacemakers, defibrillators and neurostimulators represent an important market segment. Micro Crystal has been the world leader in this field for many years. The company's temperature-compensated Real-Time Clocks have also long been used in the development of battery management systems for hybrid and electric vehicles. After a lengthy pre-launch period, sales for this application doubled from 2018 to 2019 and it will again achieve 100% growth in 2020.

In 2020, Micro Crystal will launch a new Real-Time Clock, developed in collaboration with its sister company EM Microelectronic and the Swiss Center for Electronics and Microtechnology in Neuchâtel (CSEM). Micro Crystal is convinced that it will once again be successful in the quartz timing product market in 2020, thanks in particular to its wide range of high-quality Real-Time Clocks.

#### SWISS TIMING

6/7/8/9

In 2019, Swiss Timing, Swatch Group's sports timekeeping specialist, worked with the brands to deliver cutting-edge timing and scoring expertise at some 500 top sporting events – even in a non-Olympic Games year – including 20 world championships and seven continental championships. At February's FIS Alpine World Ski Championships in Are, Sweden, the timekeeping professionals partnered with Official Timekeeper Longines. In July, Swiss Timing was at the FINA World Aquatics Championships in Gwangju, South Korea under the Omega banner. Tissot is a leading timekeeping presence at prestigious cycling events and Swiss Timing again demonstrated its mastery at the Tour de France in July and La Vuelta a España in August and September. It once again joined Tissot on the courts at the FIBA Basketball World Cup in China as 32 teams from around the world competed in eight host cities where state-of-the-art shot clocks were debuted. Swiss Timing worked closely with Longines in the scoring of the Rhythmic Gymnastics World Championships in Baku, Azerbaijan in September followed by the Artistic Gymnastics World Championships in Stuttgart in October. In 2019, working with Omega, Swiss Timing started gearing up for the Tokyo 2020 Olympic Games with test events at the Host City's key venues between May and December. In such varied disciplines as modern pentathlon, canoeing and BMX racing as well as new ones like skateboarding and baseball, its experts confirmed their readiness to record the performances





of the outstanding competitors at the world's most-watched sporting spectacular. At the Olympic Games and other key events in 2020, Swiss Timing will maintain the standards of precision long associated with Swatch Group's fine brands and deliver technology and skill equal to the ever-increasing abilities of the finest athletes on Earth.

CORPORATE,  
BELENOS







### SWATCH GROUP RESEARCH AND DEVELOPMENT

Founded in 2005, The Swatch Group Research and Development Ltd encompasses the research divisions of Swatch Group and certain divisions responsible for pilot production runs and special products. In addition to these activities, the company is also involved in the coordination of technological innovations for the various other Swatch Group companies.

#### Asulab Division

As Swatch Group's central research and development laboratory, Asulab's main mission is to design technically innovative watch products, subsystems and components, as well as to develop the advanced technologies and processes required for their manufacture. In 2019, Asulab again successfully fulfilled its mandate by providing brands and manufacturers with its expertise and high-performance equipment for the creation of original products, presented at various events, as well as for the industrialization of new processes and components.

The division strengthened its close contacts with the various Swatch Group companies and brands and conducted joint projects to ensure that the technical results achieved closely matched the needs expressed. The acquisition and implementation of new skills and technologies, as well as their development aimed at opening up new opportunities, remained important objectives for Asulab through targeted collaborations with renowned research institutes in Switzerland and abroad.

Thanks to the multidisciplinary nature of the skills within Asulab and the excellent collaboration with Swatch Group's internal partners, the past year once again yielded a wealth of results. The world diving record at -10928 m set by Omega with its Seamaster Planet Ocean Ultra Deep Professional watch was a highlight of 2019. Asulab contributed to this achievement by carrying out the initial simulations and by developing the technique of fitting the sapphire onto the case middle by means of an amorphous metal seal. Another success involved the creation of a limited-edition watch with a special function for a Hollywood production that will be hitting movie theatres in 2020.



The new generation of displays with better definition and consumption has been widely adopted by brands. Two new products have been developed; the first was launched in 2019 and the second will be introduced in 2020. As part of a project to support a sister company, a new thin-film deposition facility for internal watch components was specified, commissioned and approved for production.

#### Moebius Division

Moebius, whose mission is to produce and market lubricants and epilames used in the field of cutting-edge micro-technology, is a division of The Swatch Group Research and Development Ltd. These products are specially designed to meet the technical and specific requirements of watchmaking. In 2019, Moebius modernized its filling equipment and production management tool. In order to meet future challenges, Moebius continued its development and innovation program, developing two new types of epilames in collaboration with the Asulab division and Swatch Group brands and production companies, such as ETA and Nivarox-FAR, Breguet, Blancpain and Omega.



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

In 2019, CDNP strengthened its position as a dynamic platform for technical services and multi-technology access, exclusively for the benefit of Swatch Group brands and manufacturing companies.

Design, computer graphics and 3D animation, realistic rendering and augmented reality have won over new Swatch Group brands that find unique tools at CDNP to create and animate their watches' digital twins for omnichannel distribution.

In the year under review, the Construction and Design team for watch exterior modules excelled with several new patents developed for cases, crowns and clasps that directly benefit the technical departments of CDNP's client brands.

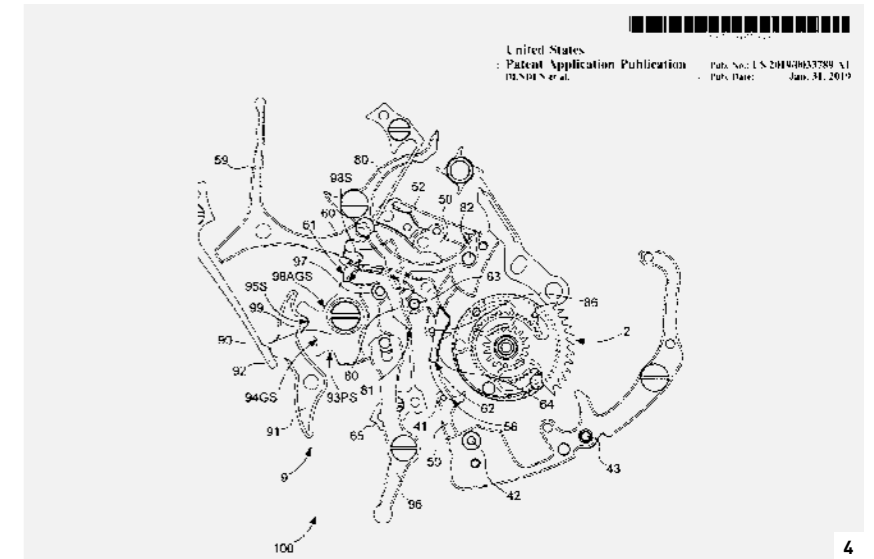
The new Powders and Processes Engineering department, in charge of the development of powders, inks, two- and three-dimensional printing processes and additive manufacturing, has accelerated its influence within Swatch Group and built a network of new key strategic partnerships at the international level. The results are reflected in patented innovative products and processes that complement the portfolio of unique technologies controlled by Swatch Group.

The use of CDNP as Swatch Group's collaborative platform for the development of additive manufacturing products has become a reality. The FabLab now includes a large range of additive manufacturing equipment managed by highly qualified teams that adapt them to watchmaking requirements.

The Product and Project Coordination team provided clever, agile solutions to multiple urgent brand requests that resulted in unique achievements and contributed to enhanced marketing and media exposure for CDNP's partner brands.

Since 2019, CDNP has been leading and coordinating operational initiatives to accelerate the convergence of manufacturing and logistics activities in line with the intrinsic sustainability of Swatch Group watches.

Finally, the Operations group once again excelled in the reporting year by delivering prototypes, mock-ups and industrial pre-series to CDNP customers who, as always, appreciate the agility, responsiveness, speed and quality of the services provided.



The momentum created around CDNP as an innovation accelerator attracted new talent in 2019. At CDNP they find multiple opportunities to express their enthusiasm and creative energy for the ultimate benefit of Swatch Group brands and customers.

### ICB INGÉNIEURS CONSEILS EN BREVETS

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.

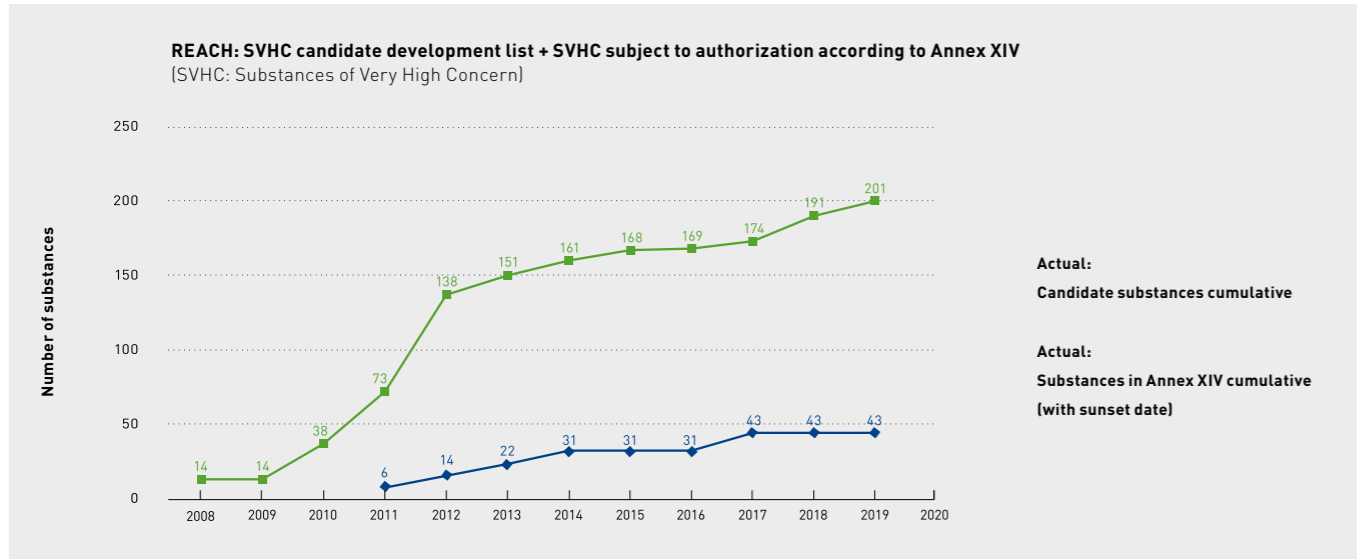
In 2019, ICB continued its activities to identify technical innovations in the various Swatch Group companies and research and development divisions in order to ensure optimal protection of their technological assets. The number of new patent applications filed was higher than in previous years. This 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. In the reporting year, this collaboration was again particularly important, not only in the watch industry, but also in the company's non-watchmaking activities.

Substantial efforts were made to support the brands' market penetration strategy. 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.





**SWATCH GROUP QUALITY MANAGEMENT**

Swatch Group Quality Management (SGQM) is responsible for defining the quality assurance and safety conditions for products put on the market. Its objective is to ensure their legal compliance, as well as their reliability, by making the required skills available to Swatch Group companies.

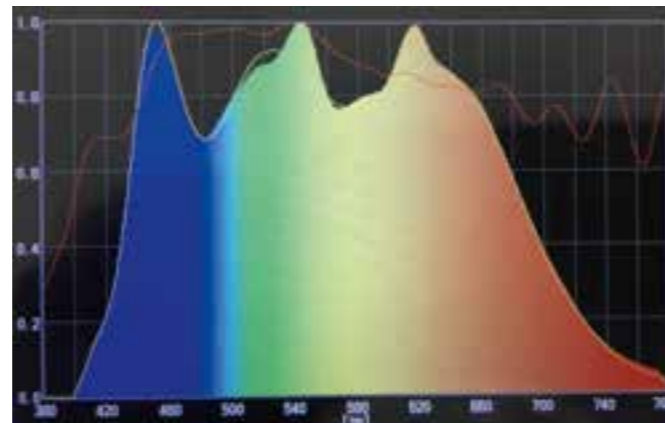
**Legal compliance**  
In 2019, SGQM monitored the evolution of the following legislation:

**Circular economy and sustainability:** a package of European legislative measures, including the revision of four directives in the field of waste management and recycling, aims to introduce closed-loop production. The objectives of the European action plan include limiting the use of raw materials, improving the recycling of materials and reducing waste generation. SGQM informs Swatch Group companies of these requirements and supports them in their proactive environmental initiatives. SGQM also provides technical expertise on initiatives aimed at guaranteeing the legal and sustainable origin of natural materials, with particular emphasis on CITES alligator leather or FSC and/or PEFC certified wood products.

**RoHS and REACH:** in accordance with the European RoHS directive, since July 22nd, 2019, four phthalates have been banned in electronic products, including quartz watches. Swatch Group has been compliant with this restriction for many years based on a voluntary decision. With regard to REACH, in 2019, the SGQM had already included a restriction on the substance PFOA (perfluorooctanoic acid) in the requirements for its suppliers, in anticipation of the restriction that will come into force in November 2020. In addition, ten substances were identified as being of very high concern (SVHC REACH) in 2019, but not yet banned by REACH. Swatch Group bans these substances in its products on a voluntary basis or looks for harmless substitutes.

**5 Washing processes:** As part of its environmental objectives, Swatch Group also implements new processes in its production companies in the field of washing. ETA in particular is carrying out a project to replace hydrocarbon degreasing baths with aqueous baths containing natural micro-organisms capable of removing the oil present. Water-based washes should now be used wherever possible.

**Visual engineering:** SGQM, in partnership with the Institute of Optometry of the University of Applied Sciences and Arts Northwestern Switzerland (Fachhochschule Nordwestschweiz), is conducting a project to improve visual ergonomics. Several significant improvements have already been made, particularly in the field of visual inspection. Enhanced visual comfort, increased protection of eye health and a significant reduction in vision fatigue have especially been noted. In addition, better lighting conditions in the visual environment have led to innovative discoveries leading to a patent application.



Comparison of the spectrum from artificial lighting with natural light.



**SWATCH GROUP SERVICES**

**European Distribution Center Division (EDC)**

In 2019, the European Distribution Center (EDC) assumed responsibility for the customs documentation for shipments of watches and accessories to Asia and also started to distribute Glashütte Original watches in Switzerland. Rado's e-commerce business, including personally engraved watches, was extended to Austria. The EDC integrated a return shipment process for e-commerce clients and is responsible for e-commerce for Omega watches in the UK as well as for Longines watches in France, Germany and Italy. Tissot opened a website for its Polish customers and Hamilton now offers bracelets through e-commerce. In partnership with a key transport partner, the EDC introduced EU Clearance, allowing goods to be imported to a central location in Germany and distributed across the European Union.

**Swatch Group Logistics Division (SGL)**

As an expert in supply chain management, including transportation, storage, export and import, planning, and logistics processes, Swatch Group Logistics (SGL) constantly expands its activities in countries, brands and manufacturing companies. Planning is continuously optimized and top priority is given to reducing lead time throughout the supply chain. In the field of transport, the centralization of documents and knowledge of customs formalities makes it possible, among other things, to negotiate the most favorable conditions with carriers and create effective synergies. The SGL-Campus platform continued to develop. The creation of new online courses, collaborations with Swiss universities, and the dissemination of best practices through, for example, workshops aim to offer a wide range of training opportunities, and thus ensure optimal supply chain management by well-prepared employees.

**6/7 Swatch Group Information Technologies Division**

2019 was an intensive and successful year for the Swatch Group Information Technologies Division. Among the projects delivered for Distribution IT were the replacement of retail systems in boutiques across Europe and the implementation of e-commerce sites as well as collaboration on omni-channel initiatives. In parallel with the activities designed to maintain the quality of services, the new Group Applications department was established to face the next challenges with confidence. IT Systems & Infrastructure created a new data center in Asia, which will enable Swatch Group companies to develop their backup and disaster recovery strategies. It also carried out more than 20 projects linked to IT networks in the different Swatch Group companies, launched a project to extend the data centers in Switzerland, and provided the companies with significant support in updating their operating systems, ensuring that the Group's high security standards would be met.

The IT division also worked on upgrading the organization and knowledge base in order to be ready to respond competently to the technological changes that await the company in 2020 and beyond. In this context, major efforts were made with regard to SAP S/4 HANA, for process automation and also in the areas of digitization, agility and application convergence.

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

**Training:** Continuing education in the technical field is a constant objective. In 2019, the integrated training concept was enriched by a non-watchmaking module designed to meet the needs of future Swatch Group technicians and other staff members wishing to acquire basic technical knowledge. In close collaboration with the brands, training was provided for technicians specializing in the areas of diagnostics, quality control, polishing and movement replacement.





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**Organization in the subsidiaries:** In China, every effort has been made to ensure that the CS division is able to offer e-commerce customers efficient services to manage demand and logistics. Although it has had to adapt to the changes inherent in e-commerce, Swatch Group customer service continues to offer a local service. To this end, two new customer service centers were opened in the SKP shopping centers in Beijing and Xian. In France, the customer service activities of the Tissot European division were regrouped with a significant part of Swatch Group France's customer service in a new building in Besançon. In Greece, an essential renovation project was implemented, enabling customers to benefit from the new reception area concept. In South Africa, a service center was recently opened in the center of Johannesburg.

**IT systems:** In 2019, a new integrated IT system was developed and rolled out in China, providing a detailed view of customer service activities in all Chinese branches as well as in the Shanghai competence center. Perfectly integrated with online communication channels such as WeChat, it is not only an excellent management tool, but also significantly improves communication with customers. As spare parts are essential to guarantee rapid service to customers for their watches, training was organized at all subsidiaries in order to better establish parameters for component requirements. This ensures perfect availability and, accordingly, minimum intervention times.

#### Swatch Group Gems Division

Staffed by gemology and logistics experts, Swatch Group Gems is a diamond and gemstone purchasing center serving the Swatch Group's brands. Drawing on its global knowledge of the market and of precious stones, Swatch Group Gems continued to participate in the development of its clients' products by advising them on gemstone selection and supply under the best conditions and in strict compliance with quality standards. Swatch Group Gems is also constantly seeking to improve its services and, as a leader in the field, provides cutting-edge assurance of diamond product integrity.

#### Real Estate Development Division

8/9

The Real Estate Development Division was very active in 2019 in Switzerland, as well as abroad with Swatch Group companies.

The process of modernizing and refurbishing the real estate portfolio and improving infrastructure continued, particularly with Blancpain in Le Sentier and Le Brassus (VD), Comadur in La Chaux-de-Fonds (NE), Les Brenets (NE) and Boncourt (JU), Longines in Saint-Imier (BE), Manufacture Ruedin in Bassecourt (JU) and Boncourt (JU), Nivarox-FAR in Crêt-du-Loche and Fontaines (NE), Simon & Membrez in Delémont (JU) and Tissot in Le Locle (NE); in Biel/Bienne (BE) with Omega, Mido, Swatch Group Les Boutiques and Swatch Group Quality Management; and in Bussigny with Swatch Group Services (VD). These projects are part of a policy of constantly improving work safety and reinforcing corporate values, as well as maintaining production facilities. They also reflect a desire to optimize and verticalize production flows or to an objective of improving infrastructures in order to further enhance production quality. In addition, they comply with a set of mission specifications aimed at reducing water, fossil fuel and electricity consumption.

Swatch moved into its new headquarters in Biel/Bienne (BE) at the beginning of the year. The building's wooden supporting structure is one of the largest in the world.

The Real Estate Development division deployed its consulting, feasibility and design development activities with the various Swatch Group subsidiaries and brands. In particular, it coordinated the participation of six prestigious brands in the Time To Move roadshow held in Zurich. The Swatch Group South Africa subsidiary relocated to new premises in Sandton, Johannesburg (RSA).

Finally, the specialists of the Real Estate Development division were very active in developing or renewing the vast network of boutiques for Swatch Group's most prestigious brands: the Harry Winston salons in Monte Carlo, Porto Cervo, Shinjuku Tokyo and South Coast Plaza, as well its shop-in-shops in key locations around the world.



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#### SWATCH GROUP IMMEUBLES

For Swatch Group Immeubles, 2019 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

10/11/12

##### Batteries

Belenos has made significant progress in the production of the electrode based on a vanadium compound, both in terms of the quality of the active material and the coating technology. In addition, the quality of the test production in a batch process was continually optimized and the parameters of this process could be defined. The results demonstrate the ability of the material to tolerate well over a thousand complete charge and discharge cycles at a very high specific capacity. The specific capacity is one of the most important properties of an electrode material because it has a major impact on the use of material and ultimately, therefore, on the final weight of the battery.

Research and development activities were systematically increased in the field of solid-state electrolytes and of the lithium metal anode, leading to extremely promising results. Belenos has greatly intensified its cooperation in this area with numerous researchers and developers both in Switzerland and abroad.

The strengthening of research and development activities was accelerated by the targeted recruitment of experts from Switzerland and abroad and supported by the reorganization of the company's structure.

Collaboration was also further developed with several Swiss institutions working in the areas of battery material analysis and research methods in operando (i.e. under operating conditions). These provide valuable information on the behavior of materials during battery charging and discharging processes, thus contributing to further targeted improvements in the performance of the components and of the battery.

Belenos also maintains very close relationships with key players in the battery industry, as well as with organizational units governed by public law, in order to continuously assess the prospects for successful development projects.

In addition, an independent consulting firm in the automotive industry conducted a study to assess the potential of Belenos' battery technology. The results of this study confirm that Belenos offers significant comparative advantages over the technologies currently in use and the future technologies known to date.





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#### EL-Lab Electronics Laboratory

The Belenos EL-Lab electronics laboratory in Grenchen specializes in the development of industrial electronics. The laboratory meets the electronic requirements of the projects in progress in other Belenos departments. Its services are also used by other Swatch Group entities. The electronics designed in this way are produced in small series by Belenos on ETA's assembly lines. Ideas, concepts or patents are put into practice and realized in the form of prototypes or test benches, including both hard- and software parts.

The latest solar installation in the new Swatch building, consisting of Belenos micro-inverters, was put into operation. With four solar power plants in use, the Omega and Swatch site in Biel/Bienne is now complete. The plants are monitored remotely in order to verify their production and detect anomalies.

During the past year, efforts were focused on the electronic needs of battery and industrial compressor projects. A compressor test bench, enabling tests in an automotive environment, is still under construction. It is proportioned in a way that allows the compressor to be used as a cold or hot production unit in an electric vehicle, thus ensuring all the thermal exchanges required.

A battery management system is currently being designed with the aim of integrating all the parameters necessary to control the electrochemical design of the batteries, which are themselves under development in Itingen. A "battery tray" test bench is operational and allows all the system parameters to be checked. This year, the bulk of the work was focused on checking the charge and discharge of several cells connected in series.

Belenos contributed to the organization of several media events related to the new Swatch building. For the inauguration of the Swatch Drive-Thru, an 18-year-old electric Swatchmobile Smart was successfully reactivated. An exhibition inside the new Swatch building presents different vehicles, components and old photos as well as press cuttings retracing the Swatch mobile epic. It is well worth a visit.

## SWATCH GROUP IN THE WORLD





SWISS MARKET

1/2/3/4/5

The intrepid Swatch Group brands with their consistently winning attitude have been able to make the most of their historic home market, Switzerland. For example, Harry Winston served as the lead sponsor of the *Bal du Printemps* in Geneva, the signature fundraising event for the IRP, which supports research in the field of paraplegia and works to improve the lives of people affected by injuries to the spinal cord. In Zurich, Harry Winston continued its support of the IRP, serving as the Gold Sponsor of the IRP PARAbend event held at the Dolder Grand Hotel. As the undisputed "Jeweler to the Stars," Harry Winston hosted a red carpet themed cocktail reception in its Zurich Salon to coincide with the opening of the Zurich Film Festival. The event, attended by clients and influencers, featured an exquisite assortment of Harry Winston's rarest and most sought after jewels.

Breguet cooperated with retailer Bucherer on a model enriching the "Bucherer Blue Edition" line. On this occasion, the brand developed a special version of its Marine 5517. Breguet also joined the "Friends of the International Watchmaking Museum in La Chaux-de-Fonds" association. Continuing to cultivate the ties Blancpain has enjoyed with the world of *haute cuisine* for over 30 years, the Maison once again supported the prestigious Bocuse d'Or Suisse competition in 2019. In addition, the year saw Michelin-star chef Marie Robert join the Blancpain circle of friends. At just 31 years of age, the young Swiss woman was voted "Chef of the Year" 2019 by the famous Gault&Millau guide. Jaquet Droz paid homage to the beautiful nature of its native land by unveiling the Grande Seconde Moon Swiss Serpentine, adorned with a dial made of rock from the slopes of the Matterhorn.

The Omega European Masters golf tournament in Crans-Montana, notably featuring brand ambassadors Rory McIlroy, Sergio Garcia and Tommy Fleetwood, was one of Omega's Swiss market highlights. The brand's new partnership with the Swiss

Alinghi sailing team was also celebrated with a special event and a GC32 sailing experience on Lake Geneva. Longines strengthened its presence in Switzerland through its many sporting partnerships. The company with the winged hourglass logo notably served as Title Partner and Official Timekeeper of a leg of the Longines FEI Jumping World Cup™ at the Longines CSI Basel, the Longines CSIO St. Gallen, the Longines Crans-Montana Jumping and the Longines CSI Ascona. In addition, the brand had the privilege of hosting a leg of the Longines Masters for the first time in Lausanne. In May, Switzerland hosted the international press event held by Rado for the True Thinline Les Couleurs™ Le Corbusier collection. Against the magnificent backdrop of Lake Zurich, the setting was ideal for the launch of these new watches. In October, the brand returned to the tennis courts as Official Timekeeper of the Swiss Indoors tournament in Basel.

2019 was also marked by Tissot's involvement as Official Watchmaking Partner of the Fête des Vignerons. This festival, celebrated every 25 years, highlights the different professions linked to the world of vineyards as well as the various cantons that make up the Swiss Confederation. In order to make its contribution, Tissot created a special collection for the 2019 Fête des Vignerons. In the field of sports, the brand celebrated the famous Patrick Baumann Cup in April, as well as the Tour de Suisse and the Tour de Romandie. Following its 2016 edition in Estavayer-le-Lac, the triennial Federal Swiss Wrestling (*Schwingen*) Festival took place in Zug in 2019. On this occasion, Tissot launched a T-Touch Expert Solar II Swiss Edition.

Balmain focused on its selective distribution strategy by concentrating on prime locations and opening new points of sale, notably in Vevey and Zurich. In September, Certina invited more than a hundred Swiss retail partners to enjoy an exclusive experience at the Bürgenstock Resort Hotel near Lucerne, where guests were able to view the latest Certina watches. Mido was present in the boarding area of Geneva airport throughout the month of No-

vember. This 12 m² roadshow highlighted the Ocean Star watches, a collection celebrating its 75th anniversary. The Red Bull Race Day in Grenchen was the major event of the year for Hamilton in Switzerland.

One of the 2019 highlights for Swatch was the introduction of SwatchPAY! This payment method built into the watch makes contactless shopping easy, convenient and entirely secure. The launch of SwatchPAY! took place in Zurich with a performance by the Biel/Bienne-based rapper Nemo, who was supported throughout Switzerland via classic communication channels and carefully targeted guerrilla campaigns. This year, for its "Back to School" campaign, Flik Flak organized a special event at the Drive Thru Store, in front of the Swatch headquarters in Biel/Bienne.

As for distribution, Tourbillon continued its strong partnership with the Prestige brands of Swatch Group to display their heritage and highlight exceptional timepieces to loyal clients. Hour Passion worked closely with Switzerland's two main airports of Geneva and Zurich. The brand rolled out an intense marketing plan, notably featuring the creative and dynamic exhibitions by Breguet, Jaquet Droz, Omega, Longines, Tissot, Certina, Mido and Hamilton.

SWATCH GROUP GERMANY

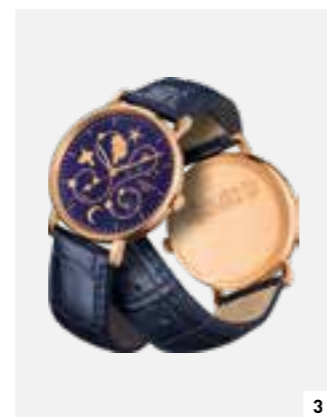
6/7/8/9

In 2019, Swatch Group Germany again focused on further digitalization, particularly of its distribution channels. Breguet exhibited watches from the Marine Collection and opened its first German boutique in Düsseldorf. Blancpain participated in the Sylt Gourmet Festival with Michelin-starred chef Holger Bodendorf. Glashütte Original had a successful year, winning first prizes at the Goldene Unruh and Capital Watch Awards. Jaquet Droz hosted swisswatchesblog.de for an interview with CEO Christian Lattmann. At a client event, Omega launched the Constellation Manhattan and celebrated the 50th anniversary of

Apollo 11. Longines impressed with giant posters and the opening of its online boutique. The Rado team now offers live chat for its online boutique visitors. Union Glashütte profited from the *Made in Glashütte* seal of origin and consumers' desire for regional quality products. Tissot celebrated its premiere as the Official Timekeeper of the Deutschland Tour, captivating pros and hobby riders alike. At an international PR event in Hamburg, Certina launched the new DS-1 Powermatic. Mido shone with a large stickered shop window display in Galeria Kaufhof. For the cinema release of *Men in Black: International*, Hamilton's Cologne Kaufhof team dressed in suits and sunglasses. Calvin Klein had a large-scale advertising campaign on the Zeil in Frankfurt. In Cologne, Swatch introduced a new industrial chic store concept featuring street art. Flik Flak collaborated with Ergobag, a sustainable backpack brand. Hour Passion continued to showcase the appeal of Swatch Group.



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SWATCH GROUP AUSTRIA

10/11/12

Swatch Group Austria considerably strengthened the presence of its brands, particularly in Salzburg and at Vienna International Airport. The Breguet boutique in Vienna focused on prestigious events. Glashütte Original recorded good growth, especially in the key local market, while the launch of its new SeaQ collection enabled the brand to consolidate its position. Omega successfully continued its development with the opening of a new boutique in Salzburg. In the summer, its activities focused mainly on the 50th Anniversary of the first Moon landing. Longines was very active at important ski events. In addition, it presented its new products at a top-flight event held at Hangar 7 in Salzburg. Rado hosted the Star Prize 2019 at the Vienna Design Week. As a partner to the Erste Bank Open in Vienna and the Rado ProAm, Rado also underscored its commitment to tennis. On the occasion of the partnership with the Gaisberg Hillclimb Race, Union Glashütte launched the limited edition Noramis, featuring a special engraving dedicated to the 90th anniversary of this classic car competition. Tissot focused on joint activities with its partners leveraging the motto *Clocktail*. Hamilton distributed its *Men in Black: International* campaign around the world through point-of-sale activities. Calvin Klein focused on social media and its cooperation with bloggers. For Swatch, the highlights of the year included the Flymagic event in downtown Vienna and the launch of SwatchPAY! at the end of November, both of which have proved extremely positive.

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SWATCH GROUP BELGIUM

13/14

Swatch Group Belgium both recorded growth and optimized customer service. Breguet focused all its attention on the Marine collection through the #Breguet Explorer campaign. The flagship event of the Blancpain Endurance Series was held at the Spa Francorchamps circuit on the occasion of the Total 24 hours of Spa race. Omega celebrated the 50th anniversary of the Moon landing in 2019 with a limited edition Speedmaster model and a launch event. Longines was energized by the organization of a local fair and several equestrian events. During the Rado House Experience, the Rado True Thinline Les Couleurs™ Le Corbusier collection was a great success, praised by a color consultant. Tissot took advantage of the *Grand Départ du Tour de France* in Brussels to increase its visibility on the market. Hamilton enhanced its reputation and visibility through its presence at *La Terrasse de l'Hippodrome* and the *Journées de La Passion*. Balmain communicated through a presentation of its Parisian style collection and a strong social media presence. An event at Autoworld in Brussels marked the launch of the Certina DS-1 Big Date special edition. Calvin Klein focused on personalized decoration or specific window themes. Swatch Belgium had a Big and Bold year! For the launch of the collection, the team set up 360° communication and held a big party at the Megastore. Flik Flak also developed its relationships with local influencers.

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SWATCH GROUP NETHERLANDS

15/16/17

Omega celebrated the 50th anniversary of the first lunar landing at its Golden Moments event in Amsterdam. Longines Netherlands hosted the FEI European Championships and Rado successfully launched the Captain Cook family. Tissot featured cyclist Puck Moonen in a well-received campaign while Balmain strengthened its market position with a new visual concept. Certina launched watches with the anti-magnetic Nivachron™ movement and Hamilton celebrated the year of the cinema with an evening premiere of the new *Men in Black: International* film for its customers. Calvin Klein concentrated on tailor-made windows and special decorations. For Swatch it wasn't just a Big Bold year. There was also a pop-up store for Flymagic and the launch of SwatchPAY! at an urban location with a dedicated vending machine. Flik Flak's presence was supported by long-term media partners. Tourbillon sold unique high-value pieces and invested in events.

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SWATCH GROUP LUXEMBURG

Throughout 2019, 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 market 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.

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SWATCH GROUP FRANCE

18/19/20/21/22

Breguet showcased the emblematic Marine collection at the *Breguet, Watchmaker to the Royal Navy* exhibition at the Breguet Museum on Place Vendôme. Blancpain invited an enthusiastic group of experts to an introduction to static apnea with Gianluca Genoni, multiple freediving world champion, which proved to be a unique experience! Glashütte Original unveiled the latest additions to the PanoMatic line at a special German cocktail party. Jaquet Droz presented its 2019 new models to Parisian journalists and VIP clients in a sparkling setting.

It was a great year for Omega, patron of the exhibition *The Moon: From Real Travel to Imaginary Travel*, which took place at the Grand Palais from April to July. On this occasion, the 1970 Speedmaster belonging to astronaut Ronald "Ron" Evans during the Apollo 17 mission was exhibited on a NASA training glove. Longines kicked off its equestrian season with no fewer than 15 events, including the Longines Paris Eiffel Jumping, one of the highlights of the capital's sporting and cultural calendar. Elegance is now also a matter of online attitude with the e-commerce website. At Paris Design Week 2019, Rado joined forces with Italian Maison Cassina, manufacturer of Le Corbusier furniture, to launch the Le Corbusier True Thinline Les Couleurs™ line.

Tissot, Official Timekeeper to the Tour de France, invited several celebrities to ride the final kilometers of leg three, Binche-Epernay. Mido, partner to the Taste of Paris Festival at the Grand Palais, invited star pastry chef Yann Menguy to make a cake inspired by the Caliber 80 movement. The Hamilton Khaki Pilot Schott NYC watch was launched at Schott NYC in the Marais district, with brand ambassador and pilot Nicolas Ivanoff in attendance. Calvin Klein teamed up with influencer Alizée Gamberini for a digital operation to unveil its 'offsite' watch.

Swatch partnered with the prestigious Louvre Museum in an arty and original collaborative endeavor. Inside the pop-up store, participants were invited to create their own Swatch inspired by



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the museum's anthology works or an exclusive motif dedicated to the 30th anniversary of the Pyramid of the Louvre. Welcomed by the Flik and Flak mascots, mother influencers and their children were invited to a joyful, colorful "Back to School" event. The new Customer Service site was inaugurated in December by the Mayor of Besançon along with Swatch Group management.

**SWATCH GROUP SPAIN**

23/24/25

2019 was a remarkable year for Swatch Group Spain with numerous events and activities across all brands. Breguet sponsored the annual Gala Concert by tenor Javier Camarena at Teatro Real in Madrid. Blancpain launched new Fifty Fathoms watches at an exclusive event in Madrid in the presence of free diving champion Gianluca Genoni. NASA engineer James Ragan joined Omega at its celebration of the 50th anniversary of the first lunar landing in Madrid. Longines hosted Ambassador of Elegance Simon Baker for the first time at CSIO, Spain's most important equestrian event. Rado again hosted the Rado Star Prize Spain at the Madrid Design Festival and took the opportunity to launch its first watch created in collaboration with a Spanish designer, Inma Bermúdez. Tissot brought together VIP friends and top journalists and influencers for an exclusive, enjoyable ride through the streets of Madrid during the final lap of La Vuelta. Certina celebrated the 60th anniversary of the DS Concept with its Open Day in Madrid. Hamilton invited members of the lifestyle media to meet the Spanish Air Force's Hamilton-sponsored Patrulla Aspa in Granada. Swatch made 2019 the Big Bold year. The launch of this new collection, with live music and skateboarders, took place on the terrace of a youth hostel in downtown Madrid. A large group of fashion journalists and influencers joined the brand on this special occasion. Flik Flak organized a fun party with influencers and their children to celebrate the beginning of the summer.



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**SWATCH GROUP ITALY**

26/27/28

Swatch Group Italy saw important development in retail and online sales. Breguet presented its *Breguet, the Innovator* roadshow and launched its revamped Marine Family at a regatta in Rapallo. Blancpain premiered its *Fifty Fathoms* film at the Excelsior Hotel Gallia in Milan with brand ambassador Gianluca Genoni. With its *Dive into the Original* campaign, Glashütte Original successfully launched its SeaQ models. Jaquet Droz developed its activities with key partners in important Italian cities. Omega celebrated the 50th anniversary of the first lunar landing, introducing two new Limited Edition Speedmasters in Milan. Longines focused on its HydroConquest, VHP and Conquest Classic Collections and was active in equestrian- and skiing-related events. Its launch of the Dolce Vita in Rome increased brand awareness. With the True Thinline Les Couleurs™ Le Corbusier collection, Rado communicated its commitment to design. Tissot activated 360° campaigns throughout Italy around key international partnerships with MotoGP and the NBA. Mido was Official Performance Partner of the Red Bull Cliff Diving World Series. Hamilton celebrated its cinematic heritage with two important festivals and a movie premiere. Calvin Klein focused on consumer proximity through digital out-of-home activities and a shopping mall presence complemented by social media marketing. Swatch entered the Big Bold world with a 360° communication plan. It was also active in two local projects: the extension of Click & Collect to all stores and the launch of four exclusive Destination watches that achieved top sales rankings.

**SWATCH GROUP UNITED KINGDOM**

29/30/31

2019 was an excellent year for Swatch Group United Kingdom with increased sales and further expansion throughout e-commerce and digital channels. Breguet increased awareness with multiple events, including the launch of the new Marine collection, and entertained clients at the Glyndebourne Opera. Blancpain increased its distribution network and hosted clients at the Blancpain Endurance GT Series at Silverstone. Glashütte Original worked closely with key partners, creating activations to promote the SeaQ collection. Omega celebrated the launch of the new Constellation collection with an impactful integrated media campaign including the iconic IMAX. A celebration dinner of the 50th anniversary of the Apollo 11 Moon landing and the Speedmaster's role was held at BBC Television Centre and was attended by stars from the world of stage and screen. Longines welcomed British athlete Victoria Pendleton as a UK friend of the brand, and continued to enjoy key equestrian partnerships including Royal Ascot and the Longines Global Champions Tour. Rado again partnered with designjunction 2019, showcasing the Rado Star Prize UK, challenging young designers and inviting them to respond to the theme 'Imagine'. Tissot kicked off the year celebrating the NBA London Game at the O2 with a star-studded party and further activations to celebrate the partnership. With Tissot as the Official Timekeeper, guests experienced incredible racing at the UCI Road World Championships in Yorkshire. In a strong year, Certina opened new retail accounts and received positive feedback from media at product launches, which increased coverage. Hamilton reinforced its cinematic heritage with a screening of *Men in Black: International*. Swatch's busy year saw the arrival of Swatch X Bape® resulting in long queues around the Carnaby Street store. The Big Bold collection was celebrated at a VIP party in an underground club in London resulting in excellent social media coverage. The re-opening of the flagship store on Oxford Street presented an evening of surprise with live performances and LED drummers.



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**SWATCH GROUP IRELAND**

32/33

Swatch Group Ireland had a positive 2019. High profile events and targeted marketing activities increased awareness for all brands. Longines invited VIP guests to experience the Dublin Horse Show and to enjoy some exciting racing at the Longines Irish Champions Weekend. Winning trainers, owners and jockeys were awarded a Longines watch. Certina expanded its Irish retail network into Dublin Airport Terminal 2, as did Calvin Klein, which also celebrated the launch of its new *NO TIME LIKE THE FIRST* campaign with key retail partners. Tissot hosted guests at the Heineken Champions Cup 2019 final, where the brand was proud to be Official Timekeeper. Swatch hosted its first big event to present the brand and new products to press and influencers in Ireland, driving media and social coverage.

**SWATCH GROUP NORDIC COUNTRIES**

34/35

The Swatch Group Nordic markets – Denmark, Finland, Norway, and Sweden – enjoyed solid performances in 2019. Omega presented the new ladies' Constellation Manhattan to influencers at Copenhagen Fashion Week and the 50th anniversary of Apollo 11 was celebrated with moonwalker Charles Duke. Longines' status was underpinned by solid progress and sales thanks to new products and strong collections. Outstanding local sporting events included the FIS Alpine World Ski Championship in Are and the Longines Global Champions Tour in Stockholm. Rado introduced new products to VIPs in Oslo in May, focusing on the vintage collection and Captain Cook. Brand awareness was raised through digital marketing in all four countries. Tissot focused on its core sports activities. The IIHF World Hockey Championship attracted positive attention to the brand when Finland won the gold. The

Tour de France was a highlight in the other Nordic countries. Certina celebrated the 60th anniversary of the DS Concept with a special edition DS-1 equipped with a Nivachron™ balance spring. The brand also sponsored the Blink Festival in Sandnes, Norway at a summer skiing competition in the presence of Biathlon legend, Ole Einar Bjørndalen. Calvin Klein maintained its unique positioning as a fashion brand offering Swiss-made watches by creating new watch and jewelry chain alliances. Swatch again focused on digital development with enhanced e-commerce and digital marketing. High visibility in wholesale and travel retail were another focus and new shop-in-shops and displays were installed all over the Nordics.



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**SWATCH GROUP GREECE**

36/37

Swatch Group Greece continued its positive sales trend in 2019, primarily with the luxury sector and Tissot. Fashion brands demonstrated ongoing stability. 2019 was characterized by a solid sales increase for Omega, which capitalized on a B2C strategy that included two boutique events: one to present its novelties and one aimed at attracting a selective female clientele. Longines proudly promoted its equestrian affiliation with its sponsorship of the Longines FEI Jumping Nations Cup, which enjoyed great exposure to the thousands of spectators and media attracted to the sport when it was held in Greece for the first time. Rado's key product focus was on Captain Cook, which made a very strong impact with 'above the line' communication as well as POS and SIS decoration. Tissot again had a strong sales increase along with 20 SIS openings and renovations, two brand summits and numerous POS training sessions. Mido, in its third year in Greece, opened a new POS in Santorini and a new SIS and also organized a brand summit. Hamilton's participation and product placement in one of the world's favorite film franchises led to incredible coverage with the release of *Men in Black: International*.

**SWATCH GROUP TURKEY**

38/39

Swatch Group Turkey improved its market position and continued to expand its operations. Harry Winston strengthened its presence as top luxury jewelry and timepiece brand through exclusive media relations and a VIP salon cocktail event. Omega enhanced its market position with strong marketing and PR activities. It celebrated the 50th anniversary of the first Moon landing with a very special event for press and VIP clients. Longines continued as title partner and Official Timekeeper for the Archery World Cup and the Longines International Racing Festival Istanbul. It improved its market position with new product launches, PR events and digital channels. Rado raised brand awareness through its social media presence and improved its visibility through more shop-in-shops at key locations. Tissot continued to steer brand awareness and demand through active digital marketing and intensive training sessions. It organized a big event for bloggers, influencers and press with great results. Hamilton Turkey celebrated over 80 years of movie collaborations and took advantage of its presence in the new *Men in Black: International* film. Balmain fascinated its Turkish women clientele with up-to-date models. Calvin Klein continued its successful presence in the market through both distribution and PR coverage. Swatch continued to focus on retail expansion. It opened stores in the new Istanbul Airport and Istinye Park, Istanbul's most prestigious mall.



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SWATCH GROUP POLAND

40/41

Fifty years to the day after the launch of Apollo 11, Omega celebrated the mission's golden anniversary at an industrial space in Warsaw. The brand launched the new Constellation Manhattan women's collection at its Warsaw Boutique in a stunning homage to femininity. Longines was the Official Timekeeper for the Show-jumping Competition CSIO 5\* in Sopot and also announced the results of its competition for the oldest Longines watch found in Poland. Rado's new watches – including models in the Tradition line and the colorfully revolutionary Thinline collection – were presented during the Warsaw Home interior design fair. For the third time, Tissot won the Watch of the Year Public Prize awarded by the prestigious CH24.PL watch portal. The brand opened its first official Polish online store and was again named Official Timekeeper for the popular Tour de Pologne. Certina celebrated the 60th anniversary of its DS concept with the launch of an exclusive DS-1 Big Date Special Edition watch with a Nivachron™ balance spring. Swatch introduced its own innovative Nivachron™ anti-magnetic solution for self-winding watches and in May, the Swatch family was joined by the year's most anticipated collection: the Big Bold, targeted at young and creative individuals.

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SWATCH GROUP RUSSIA

42/43/44

For Swatch Group Russia, 2019 was rich in exquisite, breathtaking events that increased brand awareness and had a significant impact on sales.

One of Breguet's most important new products was introduced on Tourbillon Day at the brand's boutique in Moscow. To highlight its incredible New York collection, Harry Winston hosted a cocktail evening, introducing its high jewelry pieces. Blancpain presented an exclusive exhibition of high watchmaking art, featuring a collection of rare, unique complex watches and masterpieces of high artistic skill in the magnificent Baccarat Cristal Room restaurant in Moscow. Omega inaugurated its first boutique in St. Petersburg with great splendor and celebrated the golden anniversary of Apollo 11 and the first lunar landing. Invited guests had the opportunity to take part in a simulated interactive Moon landing using modern technologies, which paid tribute to the great legacy of the Speedmaster Moonwatch and the heritage of the brand.

Longines was active in such sporting events as the race for the Russian Federation President's Cup, the 2019 Rhythmic Gymnastics Junior World Championships, and the Archery World Cup Final. Rado was the Official Timekeeper at the VTB Kremlin Cup, marking 30th anniversary of the tennis tournament. Rado's designer models were presented at Moscow's Extra Class Interiors salon in an exhibition that featured a collaboration with artist Evgenia Miro, who applied her unique vision and philosophy of time to a special Rado True Thinline.

SWATCH GROUP USA, CARIBBEAN AND LATIN AMERICA

45/46/47/48/49

2019 was a successful year for Swatch Group USA, with increased sales and market share in every segment. Breguet celebrated its new Marine Collection with an event in Malibu that recognized both the brand's nautical navigation heritage and its partnership with the Race for Water Foundation, an organization dedicated to protecting the world's oceans. Blancpain celebrated women with a Timeless Elegance exhibition honoring Marilyn Monroe at its Fifth Avenue Boutique. The event included rarely-seen portraits of Monroe taken by photographer Lawrence Schiller, which were displayed alongside a collection of the star's personal belongings. Glashütte Original introduced the SeaQ, inspired by the manufactory's first dive watch crafted in 1969. Jaquet Droz hosted numerous VIP events, including an intimate reception for clients and press in its NYC Boutique. Omega kicked off its celebration of the 50th anniversary of the Apollo 11 lunar landing with a global star-studded gala at the Kennedy Space Center, and continued with events from coast to coast. Celebrating its partnership with Fratello Watches, Omega organized an exclusive Speedy Tuesday Event in NYC with former astronaut and brand ambassador Terry Virts and Fratello founder Robert-Jan Broer. Longines hosted a panel of Female Power Players that included alpine ski world champion Mikaela Shiffrin and actress Carla Gugino. As the Official Timekeeper and Watch of the Kentucky Derby and the Longines Kentucky Oaks, Longines proudly celebrated the victories of Country House in the 145th running of the Derby and Serengeti Empress at the Kentucky Oaks. Rado was the Exclusive Timekeeper of Klarna STYLE360 during New York Fashion Week. Models, celebrities and designers were seen, on and off the runway, wearing the latest Rado watches. At the American Icon Awards, Al Pacino was honored with a Rado timepiece, which was presented by fellow screen star Robert DeNiro. Tissot had a year of firsts: the first Tissot pop-up shop, the

Tissot held City Run road shows in Novosibirsk, Tyumen, Yekaterinburg, Rostov-on-Don and Krasnodar. As part of these road shows, which were designed as sporting venues, the brand also organized mini-expos where visitors had the opportunity to take part in a range of competitions and master classes, earn points, win prizes, and become acquainted with Tissot watches. Tissot also launched its e-commerce platform in Russia. Certina took part in an event organized by Esquire magazine, a private party for bloggers hosted by Marie Claire magazine, and in the Become a Man sports festival. In one of the year's most important movie premiers, Men in Black: International, Hamilton continued its connection to cinema, which it promoted with a huge 360° advertising campaign featuring the leading characters and the Ventura watch.

Swatch needed only one day to sell out most its Flymagic collection at its GUM Pop-Up Store to customers who had made appointments to buy the watches. The Swatch X Bape® Big Bold watches were totally sold out within five hours as limited-edition hunters queued in front of the boutique in GUM. A special media event in cooperation with Mastercard was dedicated to the launch of SwatchPAY! in Russia.

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Tissot Style Lounge at the NBA All-Star Game, and an NBA concept store in New York's Midtown neighborhood. Tissot created the Official Watch for its newest NBA team partner, the Brooklyn Nets. Hamilton celebrated its "At the Heart of Cinema" legacy. The Khaki Field Murph was launched at a Hodinkee event in New York and the Khaki Field Auto Chrono once again accompanied John Krasinski in *Tom Clancy's Jack Ryan*. Hamilton also revealed its Khaki Pilot Schott NYC in New York.. Swatch put on a Bold set of events this year, kicking off with its presence at the popular Coachella music festival. It also launched the Swatch X You City Series and continued its partnerships with the Drone Racing League and Vans US Open of Surfing. In June, Swatch hosted NYC's hottest block party, which garnered a massive social media buzz for the Big Bold launch.

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**SWATCH GROUP CANADA**

50/51/52

Swatch Group Canada had a remarkable and accomplishment-filled year. Breguet, Blancpain, Glashütte Original and Jaquet Droz continued to successfully develop their strong presence in the prestige segment. Omega maintained its market leadership in the Canadian luxury segment, introducing new concept furniture at its retailers. Its media and event highlights included a commemoration of the 50th anniversary of the first Moon landing. Longines enhanced its links to sport with new products, including the HydroConquest, highlighted at local events. The Rado Star Prize & Design Offspring made its Canadian debut at the Toronto Interior Design Show. Tissot enjoyed an incredible year with sales growth as Official Sponsor and Timekeeper for the Toronto Raptors and their historic NBA Championship. Mido continued its successful journey and expansion in Canada. Swatch strengthened its travel retail presence, opened a new store in Ottawa, and activated inspiring sport partnerships and media events.

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**SWATCH GROUP MEXICO**

53/54/55

Breguet sponsored the annual Grupo de los 16 art auction and expanded its distribution network with a new POS. Blancpain had a successful roadshow at the Watch Fest retailer in Monterrey. Omega celebrated the 50th anniversary of the first lunar landing and the Apollo 11 mission and used the historic moment to highlight its own unique space heritage. Longines launched the HydroConquest Full Ceramic during its Global Champions Tour Mexico. At the Rado Master of Materials event, the year's stand-out innovation was the True Thinline Les Couleurs™ Le Corbusier. Tissot focused its strategy on the digital market and had a very successful presentation of its new products. Mido's highlights included the opening of a seventh boutique in Mexico, the launch of the Ocean Star Tulum limited edition and a strong feminine campaign with a Mexican celebrity. Hamilton enjoyed outstanding performance with the Khaki Field Murph and the Ventura Skeleton. Calvin Klein increased distribution in the fashion jewelry market with an attractive shop-in-shop. Swatch opened a new boutique in Monterrey and launched its Big Bold collection in an urban atmosphere with music, neon colors and designs.

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SWATCH GROUP AUSTRALIA

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Like previous years, 2019 had a strong focus on distribution evolution and subsidiary operations. Breguet and Blancpain achieved solid sales growth, positive advancement of their distribution bases and creative integrated marketing. Glashütte Original and Jaquet Droz worked to improve local brand awareness and build their distribution networks. Omega celebrated the 50th anniversary of the Moon landing with a strong integrated marketing campaign, including a gala event attended by famous Apollo 16 astronaut Charlie Duke, and enjoyed increased awareness and Speedmaster sales as a result. Longines Ambassadors Andre Agassi and Stefanie Graf opened the second Australian boutique on Collins Street in Melbourne and e-commerce was officially launched on [www.longines.com.au](http://www.longines.com.au). Rado launched in 2019 the Captain Cook collection via a strong advertising strategy and Rado YoungStar, Ash Barty achieved the No.1 WTA ranking, elevating the brand's partnership. Tissot unveiled its first boutique in Mid City Centre Sydney and celebrated global NBA sponsorship with a spectacular 'NBA Finals Party' event in Sydney. Mido focused on the growth and presentation of its distribution network and elevated its profile with extensive social media. Calvin Klein rolled out a new campaign and continued promoting brand awareness and wholesale partnerships. Swatch continued to lay great emphasis on building a stronger e-commerce platform with key launches supported with a robust 360° communication program. Flik Flak's growth was promising across distribution channels – especially e-commerce.

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SWATCH GROUP CHINA

58/59/60/61/62/63

2019 saw another record year for Swatch Group China, particularly in the prestige, luxury and high range segments. E-commerce boomed as brands from the basic, middle and high ranges were present in all major channels, including websites, third party platforms, and e-tailers. During Double 11, Longines and Tissot were the Official Timekeepers for Tmall and JD.com respectively.

Customer Service (CS) successfully launched an SAP project in July. Advanced digital technology enhanced customer experience, optimized processes and improved repair operation efficiency.

Breguet reinforced its sales network with its new Xiamen and Shenzhen Mix-city stores and the reopened Hangzhou Tower boutique. Emmanuel Breguet, author of *Breguet, Watchmakers Since 1775*, shared the brand's remarkable heritage in Shanghai. Harry Winston celebrated the 20th anniversary of its Avenue collection with a white gold timepiece featuring a moonphase complication. The winners of the Blancpain-Imaginist Literary Prize and the Youth Entrepreneur Prize were announced in October. Blancpain opened its largest flagship store at Beijing's China World Mall. Glashütte Original, to celebrate the launch of a limited edition Panolnverse, presented its engraving craftsmanship to local audiences. Jaquet Droz launched the Magic Lotus Automaton in the presence of top management and special guests. The opening of Shanghai's Planet Omega exhibition featured actor Eddie Redmayne; Omega also celebrated Apollo 11's 50th anniversary and honored its own space legacy with a Golden Astronaut display and sculptures throughout China.



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Longines sustained its market leadership and in May, attracted the world's finest horses and riders to the Longines Global Champions Tour in Shanghai. Zhao Liying presented an elegant watch to the winner of the 9th Longines Equestrian Beijing Masters at the Bird's Nest Stadium. Rado opened a boutique at Beijing's APM shopping mall and following its success on Tmall, sustained e-commerce momentum with a flagship store on JD.com. Since entering China in 2018, Union Glashütte has opened 20 POS.

Tissot launched the Carson Premium in Shanghai with ambassador Liu Yifei and brought its Swiss lifestyle concept to the China International Import Expo. Certina celebrated the 60th anniversary of Sea Turtle Conservancy with the DS Action Diver STC Special Edition. Mido marked the 75th anniversary of Ocean Star with its Ocean Star Tribute. It also partnered with the Red Bull Cliff Diving World Series. Celebrating its cinematic legacy, Hamilton launched the Khaki Field Murph, a recreation of the watch in *Interstellar*. Standard equipment for the *Men in Black* agents still includes the striking Hamilton Ventura. Calvin Klein's window displays for the 1940s-inspired Glimpse collection rekindled a love for vintage films.

Swatch opened landmark stores at Beijing SKP and Shanghai Yu Garden that drew sophisticated consumers and raised brand awareness, as did the launch of the WeChat e-commerce store.

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SWATCH GROUP HONG KONG

64/65/66/67

In a challenging environment, Swatch Group Hong Kong continued its long-term investment in improving its customer service and support. This was achieved through improved retail distribution, close partnerships with retailers, a focus on customer experience, upgraded staff training and investment in more efficient operations.

The Beyond Plastic: Breguet, the Marine Explorer Exhibition opened in March at 1881 Heritage, promoting Breguet's Marine Collection, recalling its nautical heritage and underscoring its support for clean, plastic-free oceans. In 2019, Harry Winston unveiled a series of three different Métiers d'Art timepieces, each with a unique dial, and each one handcrafted in line with the House's unique know-how. Blancpain held private screenings of its Fifty Fathom documentary and revealed its new products for 2019 at its boutique in Central. Glashütte Original continued to enhance brand awareness and improve customer experience by with its well-received exhibitions and VIP in-store events. Jaquet Droz opened a new boutique in Harbour City in June. TV and film star Moses Chan was joined by top brand and national management. Omega launched a new Constellation Manhattan in the newly designed boutique in K11 Art Mall with long-time ambassador Cindy Crawford.

Longines opened new boutiques at New Town Plaza Shatin and Hong Kong International Airport and renovated boutiques at Lockhart Road and Star House with an elegant new design concept. Rado hosted its Elements of Time Exhibition in Harbour City. The True Thinline Les Couleurs™ Le Corbusier was pre-launched in the IFC Pop-Up Store. Union Glashütte partnered with Elegant for its entry into the Hong Kong market.

Tissot was the title sponsor of the UCI Track Cycling World Cup at the Hong Kong Velodrome in from 29 November to 1 December. Certina presented DS-1 Big Date 60th Anniversary whose innovative Nivachron™ balance spring improves resistance to magnetic fields. Mido presented new products in April, inviting friends of the brand, media and retail partners to experience its latest creations. Hamilton celebrated its legacy of over 500 movie collaborations and revealed new products at a media luncheon. Diverse digital platforms enhanced brand awareness. Calvin Klein opened a new-concept store at Hong Kong International Airport, which perfectly expresses the brand's defining characteristics: fashion and modernity.

Swatch kicked off the launch of its Big Bold Collection with an interactive event in June, successfully creating a buzz and carrying Swatch to even greater heights. In August, Hour Passion introduced its first multi-brand concept store in Hong Kong, which is located in Citygate Outlets in Tung Chung.



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SWATCH GROUP MACAU

68/69

Swatch Group Macau enjoyed another year of strong sales. Retail development remained a key focus, with new store openings, special activations, and enhanced customer experience a priority for all brands. At Breguet's Tourbillon Day event at Venetian, VIPs were impressed by the new Classique Tourbillon Squelette 5395. Blancpain and Glashütte Original held in-store events focused on brand-specific customer experiences. Jaquet Droz held an antique timepiece exhibition with the Macau Timepiece Museum and introduced its new products. Omega held a special dinner for VIP customers at Galaxy to celebrate the 50th anniversary of the first Moon landing and opened its seventh corporate boutique in Macau at Wynn. Longines partnered with Sands Macao to create Christmas decorations at both Venetian and Parisian. Rado's new HyperChrome 1616 Macau Special Edition memorialized the city's heritage and courageous spirit for future generations. Tissot held a series of events to celebrate Macau Grand Prix with customers, race team, media and fans. Mido increased its retail distribution with its first kiosk at Studio City. Calvin Klein implemented its new retail concept at Venetian, and in 2019, Swatch opened a newly designed pop-up boutique at Sands Cotai Central, its first-ever in Macau.

SWATCH GROUP TAIWAN

70/71/72

Swatch Group Taiwan increased its overall market share, reflecting the positive impact of a long-term strategy focusing on domestic growth. Breguet, Blancpain, and Glashütte Original strengthened their qualitative positions with new retailers. Breguet celebrated Tourbillon Day at Taipei 101 and Blancpain hosted the Fifty Fathoms exhibition while events organized by Harry Winston, Jaquet Droz, and Glashütte Original showcased the brands' expertise and craftsmanship. Omega's Speedmaster collection enjoyed double-digit growth. Longines's launch of the Master Collection Moonphase and its Taipei 101 opening strengthened brand awareness and increased domestic market share. Rado, Hamilton, and Swatch launched a new e-commerce channel. A sharp focus on the Captain Cook watches made the collection one of Rado's top three in 2019. Sport is an essential part of Tissot's DNA and the brand opened Taipei 101 with first "sports wall" concept. Mido celebrated the Asian launch of its Rainflower collection. Hamilton promoted its place "at the heart of cinema" with limited-edition timepieces. Swatch launched a Swatch X You Canvas pop-up store in Taipei 101, resulting in double-digit growth and exposure.



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SWATCH GROUP SINGAPORE

73/74/75

In 2019, Swatch Group Singapore reinforced brand awareness in a challenging business climate. Breguet unveiled its Marine collection to distinguished guests at Marina Bay Lagoon. Local editors were treated to Harry Winston's first new-products presentation at the Ion Salon. VIP clients celebrated Blancpain's alliance with Michelin Star chef Julien Royer and enjoyed a presentation of new products. Glashütte Original flaunted the Senator Collection with an exhibition at Marina Bay Sands. Jaquet Droz increased brand presence with its new products and pop-up exhibitions. Omega celebrated Singapore's bicentenary with a Limited Edition Bicentennial Seamaster and commemorated the 50th anniversary of Apollo 11 with a new Speedmaster. Longines' Ambassador of Elegance, Aaron Kwok, graced the Asia launch of the HydroConquest Ceramic. Rado launched the grand opening of its flagship boutique in the Wisma Atria mall with President Matthias Breschan and its True Thinline Les Couleurs™ Le Corbusier collection. Tissot's first basketball clinic at an iconic rooftop court solidified the brand's presence and its partnership with the NBA. Mido continued its focus on digital marketing and strengthened brand awareness with the Rainflower Collection launch. Celebrating over 85 years in cinema, Hamilton's roadshow highlighting the Khaki Field Murph met with great success. Calvin Klein increased brand visibility with its *NO TIME LIKE THE FIRST* campaign. Swatch created a huge buzz among locals and tourists with the launch of Singapore Tale and Big Bold.

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SWATCH GROUP MALAYSIA

76/77/78

Swatch Group Malaysia continued its steady growth thanks to strategic wholesale partnerships and retail distribution expansion. Breguet presented its high complication and jewelry watches to VIP clients at exclusive events. Blancpain highlighted its novelties for collectors and focused on Ocean Commitment at an event in Sabah. Jaquet Droz launched new products with partner retailer Swiss Watch Gallery and participated in its signature Art of Time exhibition in Pavilion KL. Glashütte Original celebrated the opening of a POS with Cortina Watch at Imago Shopping Mall in Kota Kinabalu. Omega's sales were driven by its expanded retail network. Marketing was focused on the Constellation and Speedmaster and on Malaysia's first Omega Golf Trophy event. Longines ambassador Aaron Kwok attended the opening of the new boutique in Penang. Rado's growth was supported by the launch of Captain Cook and retail activities. Mido reinforced its local market position with an exhibition in Pavilion mall. Hamilton raised brand awareness with its presence in *Men in Black: International* along outdoor advertising and in-store promotions. Tissot added two boutiques and showcased its new products at the Hour of Tissot at KLCC malls. Certina worked with strategic partners to expand distribution into new territories. The launch of Calvin Klein #mycalvins brightened up in-store displays with colorful and fashionable watch bracelets. Swatch launched Big Bold driven by all digital media channels and outdoor advertising. The Swatch X Bape® sold out in half an hour in two point of sales.

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SWATCH GROUP THAILAND

79/80/81

Swatch Group Thailand continued to gain local market share in spite of reduced tourism and spending resulting from the strong baht throughout 2019. Breguet reinforced its brand heritage through targeted media communication and VIP events. Blancpain demonstrated the close links between the worlds of *haute horlogerie* and *haute cuisine* with an "Art of Living" event at the two-Michelin-starred Restaurant Sühring in Bangkok. The launch of its Specialist SeaQ dive watch with retailers was the year's focus for Glashütte Original. Omega celebrated the 50th anniversary of the first Moon landing with high-profile events that enjoyed extensive media coverage. Longines launched the new HydroConquest and introduced Thai actor Mario Maurer as a new Friend of the Brand. Hamilton presented *Men in Black: International* with the Ventura collection. Rado announced Taew Natapohn Tameeruks, who will represent the brand in Thailand as an ambassador. Tissot improved distribution by opening kiosks in Chiang Mai, Phuket, and Pattaya. Mido enhanced its domestic market strength with 20 pop-up stores across the country. Swatch made a grand Asian debut at Bangkok's renowned Siam Paragon shopping mall with the launch of a limited-edition Flymagic equipped with the world's first Nivachron™ balance spring.

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SWATCH GROUP SOUTH KOREA

82/83/84/85

Swatch Group South Korea achieved record sales for the second straight year with a dynamic domestic market, qualitative enhancement of the retail network and sustained growth in travel retail. Breguet celebrated its new Marine collection at a launch party whose guests enjoyed a panoramic view of the Han River in Seoul. Blancpain showcased underwater photographs taken by friends of the brand at its Blancpain Ocean Commitment event. Omega's exhibition in Seoul celebrated the golden anniversary of the Apollo 11 Moon landing and the new Speedmaster limited edition watches.

Longines continued its dynamic sales growth across all channels and enhanced brand awareness with Longines Ambassador of Elegance Jung Woo-Sung. Rado underscored its design DNA at the Seoul Living Design Fair and with the launches of the Captain Cook and Golden Horse collections. Tissot appealed to millennials with celebrity endorsements of the Lovely Square and Seastar collections on digital platforms and enthralled young fans with 3x3 Asia Cup Basketball. Mido enhanced brand awareness and visibility throughout the year with a relay roadshow tour. Hamilton held a special exhibition at the Book Park in Hannam to celebrate the launch of the Khaki Field Murph watch, which featured so memorably in *Interstellar*.

Swatch reinforced its brand positioning with a five-story flagship store in Myeongdong, Seoul's busiest shopping destination. The brand sponsored the Midnight Picnic Festival, South Korea's largest surfing and music festival, where millennials welcomed Big Bold and enjoyed a range of fun activities.



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SWATCH GROUP JAPAN

86/87/88/89

2019 was a successful year for Swatch Group Japan, which continued to enjoy healthy growth with solid profit. Taking advantage of renovations in some major department stores, the brands were able to open new corporate shop-in-shops, increasing both visibility and sales. Efforts and investments were made not only in traditional distribution channels, but also in new e-commerce platforms. Yahoo! and Rakuten Brand Avenue channels were opened, complementing the successful e-commerce sites of Tissot, Hamilton, and Swatch. The brands' growth was also triggered by well-organized events and focused media campaigns.

Longines reasserted its position in the Japanese market with the successful launch of the Japanese edition of La Grande Classique. The brand invited over 250 media and celebrity guests to the trendy Kudan House. The launch of the Rado True Thinline Toge, designed by Japanese artist Ayako Suwa, was held at the Cité du Temps at the Hayek Center and had great coverage, reinforcing the brand's position in the market. Tissot continued its growth in Japan, and the opening of its Concept Store in the heart of the hip Daikanyama district was a milestone for the brand. The activation of its connection to Hollywood movies continued to be a strong and efficient communication vehicle for Hamilton, reinforcing its trendy image and its leading position in its price category.

Breguet continued to strengthen its prestigious position by organizing a magnificent event at the Park Hyatt in Tokyo. VVIP customers nationwide were delighted to be able to discover the *guiloché* technique presented by one of the Manufacture's master craftsmen. In the same vein, the Blancpain event dedicated to the Fifty Fathoms line, organized in the luxury mall Ginza Six, attracted a large audience and contributed to a successful year. Omega celebrated the 50th anniversary of Apollo 11 and the first lunar landing and on the 24th of July – one year to the day before the Opening Ceremony of the Tokyo 2020 Olympic Games – it unveiled the Omega Countdown Clock in Marunouchi Square in the presence of the Governor of Tokyo and IOC officials. The Countdown Clock is located directly in front of Tokyo Station.

Finally, it was an intense year for the buoyant iconic Swatch brand. In May, Swatch launched its collaboration watches with the designer brand A Bathing Ape® (Bape®). Swatch invited over 300 guests from all over the world for the occasion. Success was immediate, with long lines in front of all Swatch stores. In June, the brand launched the Flymagic Swatch in a pop-up store in Daikanyama. The launch of the Swatch X You Canvas at a pop-up boutique, at the end of the year, in the Isetan department store, reconfirmed Swatch's status as one of the most innovative brands in the industry.



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SWATCH GROUP INDIA

90/91/92/93

Swatch Group India had another record year in spite of tough market conditions. The prestige brands established their presence in Hyderabad. Breguet and Blancpain added a POS in Mumbai. Breguet reinforced its leading position in *Haute Horlogerie* with the sale of a *Montre Sympathique*. Blancpain customized a Lakshmi watch with a Shakudō dial and displayed a unique Ganesh piece along with grand complication timepieces in Delhi where Jaquet Droz showcased its Automaton collection. Omega recorded solid growth and launched the Constellation Manhattan at the newly-renovated Bangalore boutique at UB City with actress Vani Kapoor. Longines launched the HydroConquest in Chennai with ambassador Aishwarya Rai Bachchan. The VHP, Record and Master Collections were promoted with brand friends Rana Daggubati, Bhumi Pednekar and Sanya Malhotra. Digital campaigns included #PairupwithLongines and #AnniversarywithLongines. Rado took its tally of boutiques in India to 24 with three new openings. Ambassador Hrithik Roshan's blockbuster movie *War* featured prominent in-film placement of the HyperChrome. Rado participated in the India Art Fair and announced the Rado Star Prize India and collaborated with designers Thukral & Tagra. The Ladies Collection was promoted through events with ambassador Lisa Ray and brand friend Chitrangadha Singh. Tissot enhanced its distribution with 35 shop-in-shops and three new boutiques. Brand ambassador Deepika Padukone opened a new boutique in VR Mall, Chennai and launched the PR100 Chrono Sports Chic. Digitally, Tissot focused on campaign-based engagement with

influencers. Balmain increased its presence in travel retail with new POS in Mumbai and Delhi duty free. Bollywood fashionista, Disha Patani, with a social media following of 28 million, launched #MYCALVINS at an event in Mumbai and promoted Calvin Klein watches on Instagram. Swatch X Bape® was a great success, promoted through PR seeding and a targeted social media boost. Swatch expanded its travel retail presence with 11 POS at six airports. Swatch Group India began its foray into e-commerce with online sales for Tissot, Balmain, Calvin Klein and Swatch through fashion e-retailer Myntra.

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SWATCH GROUP MIDDLE EAST

94/95/96/97/98

Swatch Group Middle East had a fruitful year, optimizing its resources and reinforcing its relations with the retailers.

Breguet celebrated Tourbillon Day at its boutique with a live activation of the *guilloché* machine. It launched the Marine collection in the presence of VIP guests and press. Harry Winston reinforced its reputation as the King of Diamonds and the top prestigious jewelry and timepiece brand. It showcased its timepiece novelties and the unique jewels from the New York and Candy collections to VVIP clients. Blancpain continued to grow and proved to be the leading watchmaking brand. The Fifty Fathoms highlight at the Dubai Aquarium and Underwater Zoo continued to attract numerous visitors from all over the world. This dive watch collection was well received by high-end local customers and tourists. Glashütte Original had a special roadshow presenting its watchmaking expertise, which generated strong interest among local and international clients. The launch of the PanoMaticLunar and SeaQ further enhanced its market position. Jaquet Droz invited its VIP clients and journalists for an exclusive presentation of its new collection at its boutique. The launch of the Grande Seconde Quantième collection distributed exclusively to the UAE consolidated its market position. Omega celebrated the 50th anniversary of the first lunar landing, celebrating its iconic Speedmaster, the first watch worn on the Moon. It rolled out its new boutique concept in Lebanon and the UAE and was the title sponsor for the Dubai Desert Classic and Dubai Moonlight Classic golf events.

Longines renewed its long-term partnership with key equestrian organizations as Official Timekeeper and Official Watch at The President of UAE Show Jumping Cup presented by Longines and the Dubai World Cup. Rado strengthened its presence by inaugurating a new flagship store in the Dubai Mall. It participated in the Dubai Design Week where it highlighted the latest True Thinline Les Couleurs™ Le Corbusier collection and announced the first Rado Star Prize UAE winner.

Tissot organized a Regional Brand Summit for its partners and selected journalists to launch the 2019 collection and the new communication tools of the 360° "This is your time" campaign. Balmain improved and reinforced its image with new displays and POS materials. Certina focused on the Aqua world with its DS Action models, which are still enjoying impressive growth, and the Heritage world, whose vintage DS PH200M diving model had an unprecedented sell-out. As part of its 75th anniversary, Mido had a strong out-of-home campaign for the Ocean Star collection. Its Dubai Mall boutique outperformed expectations and is among the top 10 worldwide. Hamilton invited key agents to the Red Bull Air Race (RBAR). Its main partners took advantage of its presence in the new *Men in Black: International* film. Rivoli implemented key activities to focus on Hamilton's link with aviation in general and the RBAR in particular. Calvin Klein maintained its market position as a lifestyle brand in the watch and the jewelry categories.

Swatch upgraded its presence in the market with constant renovations and multiple relocations of its stores. It confirmed its partnership with the World's Greatest Show – Dubai Expo 2020 – as Official Timing Provider.

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At the end of 2019, Swatch Group South Africa hosted a celebration not only of its tenth anniversary, but also of its newly inaugurated premises and customer service workshop. The event delivered a strong message to the market: Swatch Group has a strong, dedicated team, outstanding after-sales service, and an optimally-organized operation. Congratulations were received from retailers, VIP customers, journalists and the influencers attending the event, including such celebrities as Longines Family Member Terry Pheto and ProVerb, a Rado friend of the brand. These stars posted very positive impressions on social media, which generated national coverage of Swatch Group South Africa.

In 2019, the positions and market share of each brand improved significantly, in part because of the launch of great new products but also thanks to increasing brand awareness and customer loyalty in South Africa. Omega progressively extended its local representation with new shop-in-shops in key malls supported by successful marketing campaigns. Longines and Rado strengthened their relationships with retailers through successful sales salons. Tissot reached a top position in its price segment through its retailers and two boutiques. Hamilton continuously raised its brand awareness, thanks to key POS locations and in-store branding. Swatch, with its own boutiques in the most frequented malls and its newly launched e-commerce store, was market leader in its segment.



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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. Actions instead of words – or detailed reports – is the motto. 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 sections of this Annual Report.

We are all fully aware of our responsibility to protect life, promote quality of life, ensure safety and preserve health as well as our environment. And we undertake, at all levels of the company, to do everything in our power to meet this responsibility. The company, our immediate surroundings, and the environment are the object of our utmost attention and care. The Executive Group Management Board, the Extended Group Management Board and the management of the various units ensure on a daily basis that this culture of environmental responsibility is implemented and sustained at all levels. As a matter of principle, resources are used efficiently and sparingly to ensure that our products are manufactured and marketed in a sustainable and environmentally friendly manner. The use of recyclable materials and substances as well as environmentally friendly production methods is taken into consideration as early as the planning and development phase of each new product.

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, along with our environment, receive our fullest attention. Our guidelines for both direct and indirect 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 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 corporate culture as well as 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. The same applies to exotic leathers, which are subject to clear internal guidelines aimed at banning the use of materials that are not produced in a sustainable and ethical manner, even if there are no legal obstacles to this. We also adhere to a simple and clear policy for the purchase of gold. Gold is sourced exclusively from traceable gold mines in the United States, Canada or Australia that meet the highest legal standards and where the authorities continuously strictly monitor the gold mines and the initial processing of the gold. The supply chain, which is kept as short as possible, goes directly from the mine to the refinery and then to our own processing operation. 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 pages 117 and 118, and in the area of environmental protection and safety, from the Swatch Group Quality Management statement on page 114.

## 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 for early detection of environmental, safety, and health risks in order to develop and implement targeted prevention measures. A significant component is Business Continuity Management. Experts determine which operating entities and their networks are important for the Group, identify the main risks (e.g. cyber-risk, 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, consideration of alternative supply solutions, strategically important acquisitions, and a high level of equity.

## OWN PRODUCTION FACILITIES

Swatch Group is a fully verticalized company with a wide range of production facilities for watches, fine jewelry and electronic components as well as a worldwide network of distribution and service centers. Swatch Group, with some 150 production sites in Switzerland, produces its own movements, cases, watch crystals,

hands and other watch components. Its companies in the electronics sector also have their production sites in Switzerland. Swatch Group has only a few production sites abroad, such as Glashütte Original's Manufacture in Glashütte, Germany or Harry Winston's high jewelry Manufacture in New York in the United States. Harry Winston watches are made in Switzerland at its Plan-les-Ouates factory near Geneva. Abroad – albeit just over the Swiss border – Swatch Group has three production sites that manufacture components for bracelets or precision parts. In Asia, Swatch Group operates only two production sites for the assembly of electronic components and in the field of surface treatment.

These production companies are highly specialized in their fields and accordingly, each has a specific profile in terms of safety, health, and environmental protection. Every location is supported in its development so that optimization measures can be continuously defined and implemented. The core of environmental metrology is the measurement of parameters influencing energy consumption, in particular electrical, thermal and refrigeration energy consumption and the associated CO<sub>2</sub> emissions, as well as key figures on water consumption, waste management, battery recycling and emissions of volatile organic compounds (VOCs). These measures are recorded and analyzed in all Swatch Group entities.







tential of 30 tons of CO<sub>2</sub> per year and is the perfect reflection of the philosophy adopted by Swatch Group, which consists of designing and constructing its new buildings and renovating its old buildings with a view to sustainable development and respecting the resulting principles.

The Group's newer buildings, such as the Omega Manufacture, the Boncourt industrial park and the combined Universo and Rubattel et Weyermann industrial building in La Chaux-de-Fonds, were constructed with the same care and similar energy design. However, the manufacturing units of the Boncourt and Universo industrial buildings produce much more thermal energy, which is recovered by heat exchangers and used for the heating and warm water of some parts of the production sites. As a result, the heating of these buildings consumes little or no fossil fuel. The Boncourt building also has a rainwater recovery system. This means that industrial water does not need to be drawn from the normal water supply. Instead, the recovered rainwater is purified and treated as industrial water in the company's own water treatment plant and stored in a 100 m<sup>3</sup> reservoir and from there, piped to the production facilities. The industrial wastewater is then recovered again at the end of the production cycle and from there, returned to the treatment plant. The industrial water is treated and reprocessed again and again in a closed circuit. The project carried out for the industrial building of Universo and Rubattel et Weyermann in La Chaux-de-Fonds deserves special mention. Originally, this industrial area was bought with a view toward renovation from a foreign company that decided to abandon its production site in Switzerland. The in-need-of-renovation site was completely dismantled, followed by a remediation of the polluted site, prior to erecting a new energy-efficient industrial building in line with Swatch Group's philosophy. In addition, this new industrial area has a fully high technology automated, state-of-the-art water treatment plant. Wastewater is conveyed from the collection tank to a reactor where the different liquids and substances thus isolated is then reprocessed, tested for quality and purity, and then returned to production in a closed circuit. Swiss authorities have described this plant as the best industrial example in existence and a showpiece project. The total renovation of this industrial area has contributed to the improvement of the urban landscape, which has been welcomed by both the local authorities and the population.

**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 (IC), 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. In 2019, our various power generation facilities produced approximately 1600 MWh. Total hydropower production is not constant, as it is highly dependent on the average level of precipitation. Similarly, solar energy production depends on the average amount of sunlight captured by photovoltaic installations.

**INVESTMENTS IN NEW BUILDINGS AND RENOVATION**

The Swatch brand's new "home" is not only one of the largest wooden buildings in the world, it is also a unique and new kind of place for work and innovation. It sets new benchmarks in terms of sustainable development and energy efficiency. The majority of the building was constructed from wood, a natural raw material. Its 1997 m<sup>3</sup> of spruce timber come from Swiss forests where a quantity of wood of this amount grows in less than two hours. During its growth phase, the spruce used has decomposed around 1847 tons of greenhouse gases sucked in from the environment and absorbed it in carbonaceous form. The intelligent geothermal use of ground water to heat or cool the building, as well as the solar energy produced by the photovoltaic system, make a significant contribution to achieving an optimal CO<sub>2</sub> balance. This use of geothermal energy is in combination with the Omega factory building and the Cité du Temps. Several water tanks have been installed on the Swatch ground. During the cooling process, cold water pumped from a withdrawal well is fed into a cold-water tank. It is then conveyed to a heat exchanger, from which the cold is extracted to help cool the building through cooling ceilings and ventilation. The heat exchanger then returns the water heated by this process to a domestic hot water tank, and from there, distributed, if necessary, to buildings on the site to supply them with thermal energy. Thanks to this ingenious device, the building is integrated into the natural water cycle. To determine the correct dimensioning of the photovoltaic system, the total electrical power required for all building functions such as ventilation, cooling, heating, basic lighting, etc. was taken into calculation during the planning stages. The honeycomb structure of the facade comprises 442 tailor-made photovoltaic elements with a total area of 1770 m<sup>2</sup>, while the PV-inverter technology was developed by subsidiaries of the company. This structure represents a savings po-



The photovoltaic installations at the Omega Manufacture, Swatch headquarters; Distico in Biel/Bienne (BE); Longines in St-Imier (BE); and ETA in Boncourt (JU) have a total installed capacity of 1.42 MW. In 2019, the energy they produced reached almost 1131 MWh, covering an area of more than 8000 m<sup>2</sup>. The energy produced by our photovoltaic installations is not only used for the technical equipment of the buildings to which they are attached, but also for the operation of the company's electric vehicles. The photovoltaic installations are equipped with state-of-the-art technology, particularly at Omega and Swatch, and owe their patented micro-inverter to Belenos Clean Power AG.

La Suze and Le Bez hydroelectric power stations in Corgémont (BE), which were completely renovated and automated in 2010, were overhauled again during the year under review. Their installed capacity amounts to 160 KW. On a yearly basis, depending on rainfall, these power stations produced an average of around 525 MWh over a long period of time.

**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 Energy Agency of the Swiss Private Sector (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. Achievement of annual objectives is monitored and audited by the Swiss Federal Office for the Environment (FOEN) and

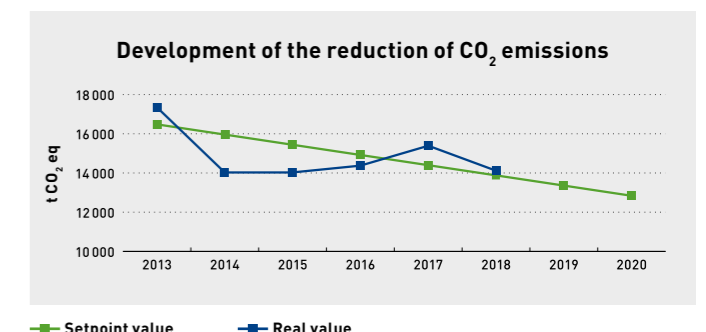
the Swiss Federal Office of Energy (SFOE). Detailed audits at the individual sites as well as data compilation by the specialists are very time consuming, with the result that the figures from the audits for the year under review are only available by the middle of the following year. As soon as the audits are completed, EnAW annually issues a specific certificate reflecting the extent to which the objectives have been met.

Already in 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 2951 tons, as shown in the following diagram 1.

The audited Figures 2019 will be available mid 2020

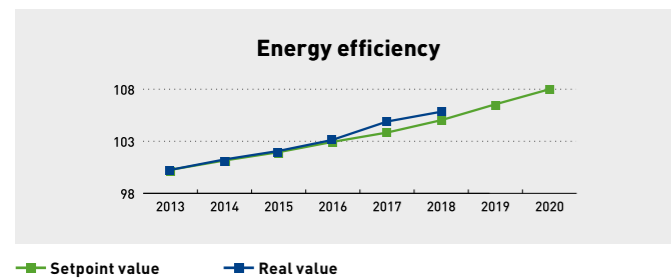
Diagram 1





The audited Figures 2019 will be available mid 2020

Diagram 2



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 diagram 2. In the first six years after implementation of the new program, the diagram demonstrates that the increase in energy efficiency has exceeded the set target.

Production and distribution companies abroad are obviously also working to improve their energy balance, not least because of their many boutiques and service centers, and are subject to clearly defined requirements. The energy consumption of these boutiques and service centers is naturally significantly lower than that of production companies in Switzerland.

#### Heat consumption per unit of floor space (kWh/m<sup>2</sup> per year)

Measured in kWh per m<sup>2</sup> of floor space, the annual consumption of fossil energy in the form of heating oil, natural gas and district heating fell by 5.7% in the year under review compared with the previous year. Energy efficiency is constantly improving thanks to ongoing investments in both new and old buildings and production facilities. This was achieved through new buildings equipped with state-of-the-art heat pump technology, new thermal insulation and building renovation programs, the optimization or replacement of air-conditioning and water-cooling systems, the renovation of heating installations and the commissioning of new heat recovery units. Continuous investment to reduce heat consumption per unit of floor space has reduced this consumption to well over half since the introduction of the program in 2001. The extension buildings on the Omega/Swatch area in Biel/Bienne (BE) are a good example of the many efforts that have been made. They have reduced heat consumption per m<sup>2</sup> of surface area by 48% and CO<sub>2</sub> emissions by an impressive 55%.



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

Electricity consumption, measured in kilowatt hours (kWh) per unit area [m<sup>2</sup>] per year, was reduced by 6.7% compared to the previous year. The commissioning of new, more energy-efficient machines and systems at the production sites, the installation of reactive power compensation equipment and the considerable investment in lighting, including the renovation of these systems, led to a slight reduction in electricity consumption. The use of new LED lamps has resulted in optimal lighting and lower thermal load, thus reducing power consumption and air conditioning costs. The investments made in the Omega/Swatch sections have had positive effects, improving the energy balance by replacing fossil fuels with heat pumps.

#### Waste management

The further optimized integration of production and cleaning processes into production resulted in a 13.1% reduction in the quantity of special waste (excluding watch batteries). This reduction in the quantity of special waste in turn led to a 6.8% reduction in the proportion of special waste recovered or recycled. Other industrial waste, such as paper, cardboard, plastics and electronic components, saw an increase of 11.2%.

#### Battery recycling

In the year under review, more than 8.2 tons of batteries were entrusted to authorized specialist companies for reprocessing, not including the disposal of expired batteries and the liquidation of end-of-series products at Renata. Renata is the only battery producer to operate its own button cell battery recycling facility (silver recovery). With an annual capacity of 250 million button cell battery for a production capacity of 26 tons of silver oxide, this facility demonstrates Renata's strong contribution to the environment in a sustainable way, which is unparalleled anywhere else in the world. Used button cell batteries are crushed in a crusher and their basic materials and particles are separated from each other. The silver oxide and other elements are then recovered in a special treatment process. The chemical solutions used are processed in a fully closed cyclic materials processing circuit and returned to the reactors.

#### Water management

The consumption of drinking water decreased by 6.7% compared to the previous year, while the consumption of non-drinking water and/or recycled industrial water increased by 20.2%. 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, 1.7% more VOCs were recovered and/or recycled compared to the previous year 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 MATERIAL SOURCING

Environmental, ethical, and social criteria are an integral part of our sourcing policy, a reason that, only suppliers and sub-suppliers who fully comply with our clearly defined and contractually documented criteria regarding safety, environmental and socio-political 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, respect for human rights, including through the explicit prohibition of forced labor, child labor, or other similar forms of abuse, and in relationships with business partners, as well as inclusion of the supply chain, local development and additional social and environmentally relevant factors.

In addition, suppliers are obligated, of course, to 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, Authorization 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 fulfil the conditions. The supplier verification process is clearly defined. The FEPS determines which suppliers will be audited during a financial year, commissions an auditing company to carry out an audit

in accordance with the requirements, and then analyzes its report. The suppliers are then given a rating. If their rating is insufficient or if they fail to comply with the requirements, corrective measures are imposed. If a supplier is not (or no longer) able to qualify, it is no longer considered. Given that only about 30 of the almost 200 qualified suppliers managed by the FEPS already cover 90% of deliveries, the number of suppliers monitored by the FEPS should be considered reasonable.

#### 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 Service as well as the above-mentioned CITES guidelines, are considered.

#### Precious metal sourcing

Swatch Group has a clear sourcing policy also in regard to precious metals. They are only purchased from individually 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 high jewelry 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.

Precious metal procurement processes have been continuously optimized for several years. There is still room for improvement, particularly in terms of ensuring full traceability of the supply chain.



Gold is sourced exclusively from mines in the United States, Canada or Australia, where the highest legal standards are applied and the mines are operated under extremely strict conditions set by the authorities and continuously monitored by them. The supply chain, which is kept as short as possible, goes directly from the mine to the refinery and then to our own gold processing operation. Purchasing gold from other regions, where standards are less stringent than in the United States, Canada or Australia and where there is a risk of untraceable gold entering the supply chain, is clearly out of the question. This clear and simple procurement policy is also proving to be very effective.

In addition, the investments made in recent years in the Group's foundry and refining facilities have made it possible to fully internalize processes and precious metals processing to ensure that the transformation of precious metals inventories, the production of alloys and their recycling are carried out in-house. After the preparation of alloys, extruded profiles and raw ingots are manufactured and then transformed into semi-finished or finished products, again using in-house production processes. Thus, Swatch Group itself controls the complete gold processing chain by subjecting its entire processing cycle to a clearly defined process. The Nivarox-FAR foundry plays a key role in this respect, as it processes all the Swatch Group's gold stocks in a closed circuit and under strict control. The Nivarox-FAR foundry has the necessary federal authorizations both as a foundry and as a commercial assayer (sworn assayer), as well as the Responsible Jewellery Council Code of Practice and Chain of Custody (RJC COP and CoC) certifications.

#### Diamond and gemstone sourcing

Diamonds are only purchased from the few suppliers who completely respect and implement the Kimberley Process certification system. Again, the supply chain is direct, with only a small number of known and qualified suppliers being selected. 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 considered, in order to exclude any quality and sourcing risks. Here again, each supplier

party to the contract is, of course, required to submit a written declaration confirming that, in addition to the Kimberley Process, it also fully accepts and respects the Code of Conduct established by Swatch Group, that it guarantees total transparency regarding the owners of the supplier company and/or the production company, and that it complies fully with the guidelines of the Responsible Jewellery Council and the SA8000 standard of the Social Accountability International, as described above in the general conditions on the general supply of materials. In the event of non-compliance with these regulations or doubts, expressed by any source of information, the supplier in question is immediately disqualified and can no longer be retained.



# SOCIAL POLICY

With extraordinary geopolitical tensions, such as the continuation of the "Yellow Vest" demonstrations in France for over a year and the demonstrations in Hong Kong, to name a few, the year under review was complicated for the human resource management role. The latter saw sales of luxury goods, such as those produced by the watch industry, fall dramatically, affecting the level of economic activity in major cities.

Other tensions, such as the Sino-US trade dispute, which saw tariffs rise sharply, and the strength of the Swiss franc, also made results more difficult to achieve.

All these external factors compelled Swatch Group to manage its human resources meticulously in order to keep its personnel motivated and help them continue developing and acquiring new skills, while retaining talent in order to prepare confidently for the future.

#### Employment

All the external factors described above had an impact on market demand. Companies had to adapt their structures, while keeping all skills up to date in order to be ready when certain crises, such as the one in Hong Kong for example, come to an end.

#### Staff development

Each period and economic cycle is an opportunity to identify skills and also to have a long-term vision of tomorrow's professions. This prepares employees for a career change by acquiring new skillsets required for the future.

#### Initial professional training

Despite the turbulent economy, Swatch Group remained focused, tirelessly pursuing on-the-job training. In August 2019, all vacancies created by apprentices that completed their training were re-filled with new apprentices. In the technical professions, all apprentices that attained certification and who wished to continue their professional activity in the company were offered permanent employment within the Group.

For the sixth time, two watchmaking apprentices spent 11 weeks in Hong Kong in the summer, despite the unrest and street demonstrations. Alongside the discovery of technical watchmaking activities in the repair center, they experienced the highlights of Hong Kong first hand. They decided of their own accord not to return to their home countries despite the protests. Naturally, everything was in place for an emergency repatriation had the situation required it.

As in previous years, other language sessions were held: three French-speaking apprentices went to Berlin and three young German-speaking Swiss went to Paris where they spent six weeks with host families. They attended language schools and were allocated to Swatch boutiques to experience real-life situations in the field.

At the start of the school year in August 2019, Swatch Group had 492 apprentices in Switzerland in 32 different types of training, 83 of whom were in the most popular profession.

This means that the Group remains the most important trainer in the watch industry, both in terms of the number of young people in training and the number of graduates hired in its companies after completing their courses.





**Nicolas G. Hayek Watchmaking Schools**

The six Nicolas G. Hayek Watchmaking Schools still serve their purpose, because the needs in terms of repairs, advice and training in the various countries are very real. Also, since official watchmaking training is either non-existent or only slightly present in these countries, local training for current and future employees is necessary. This is always a great challenge, but one that has always been successfully met.

**Professional development**

With the decade coming to an end, the company finds itself at a technological and societal turning point marked increasingly by digitization and digitalization.

This is reflected in the production companies by "Industry 4.0", which supports the various engineers, technicians and producers in offering services that are ever more flexible, responsive and close to the customers' demands and wishes. New skills, not yet acquired academically but developed in the workplace, are emerging. The challenge is important for the recruitment of future resources, as well as for supporting current employees in a process of learning new skills for new assignments.

The same applies to sales and retail, with the advent of e-commerce and "omnichannel" platforms. Retail and points of sale must reinvent themselves in order to provide more and faster service and to be closer to the end customer, who expects personal attention and unique experiences through visits to points of sale and the e-shop.

All these challenges must be viewed as chances to grow and to develop new opportunities for Swatch Group to increase its market share and consolidate its position in the watchmaking world.



**Social partnership and working conditions**

In Switzerland, Swatch Group is in the midst of the implementation of the 2017–2021 Collective Labor Agreement. Its relations with its union partners are good. Dialog and collaboration are based on trust and openness on both sides, which allows the company to look to the future with serenity. Swatch Group can count on a partner who shares its convictions and objectives to defend Swiss employment and to offer a maximum number of people opportunities to develop in ergonomically safe, and reliable working environments.

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## 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 205 to 208 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 229.

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 2019, the Hayek Pool, related parties, institutions and persons control 61 721 546 registered shares and 12 855 bearer shares, totalling 42.3% (previous year 39.8%) of all the votes.

The Hayek Pool comprises the following members per 31 December 2019 :

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 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 1)	various	-

1) 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 41.8% (previous year 39.3%) of all the votes; third party Pool members are represented therein, they comprise 3.6% of all the voting rights.

On 31 December 2019, no other individual shareholder or group of shareholders holding more than 5% is known to the Company. If a person subject to this obligation reaches, falls below or exceeds the threshold of voting rights according to Art. 120 FinMIA, this person is obliged to issue a corresponding notification. For the sake of simplicity, reference is made to the website of the Disclosure Office "https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html", where the current and updated disclosures of significant shareholders can be found.

### 1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

On 31 December 2019, the capital structure of The Swatch Group Ltd was as follows:

Share category	Quantity	Par value per share	Total par value in CHF
Registered shares	116 919 500	CHF 0.45	52 613 775.00
Bearer shares	28 936 000	CHF 2.25	65 106 000.00
<b>Total share capital as of 31.12.2019</b>			<b>117 719 775.00</b>

### 2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2019.

### 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 at CHF 0.45	Bearer shares at CHF 2.25	Share capital in CHF
31.12.2017	124 045 000	30 840 000	125 210 250.00
31.12.2018	124 045 000	30 840 000	125 210 250.00
Cancelled shares	-7 125 500	-1 904 000	-7 490 475.00
<b>31.12.2019</b>	<b>116 919 500</b>	<b>28 936 000</b>	<b>117 719 775.00</b>

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2018 and 2019, is published on page 177. For The Swatch Group Ltd, it is published for the years 2018 and 2019 in note 9 on page 220. With regard to the previous years we refer to the annual reports 2016, 2017 and 2018.

### 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.

### 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 2019, reference is made to Note 13 on page 189. In 2019, 212 114 registered shares were sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2017	68 428	218	2019
2018	76 492	220	2019
2019	67 194	218	2019
<b>Total</b>	<b>212 114</b>		

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

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2018	65 897	210	2020
2019	67 061	216	2020
2019	67 248	216	2021
<b>Total</b>	<b>200 206</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.

## 3. Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors on 31 December 2019 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 30 June 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 March 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 and of Wat Holding AG. As Board member of Hayek Holding AG, she is responsible for Hayek Engineering AG and Hayek Immobilien AG. 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 29 June 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. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and director 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 was involved in the «Solar Impulse»-Project, 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 1 May 1996 he was appointed Vicepresident of the board. On 1 January 2001 he was elected President of the board. Jean-Pierre Roth was Swiss governor of the International Monetary Fund (IMF) in Washington. From 1 March 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, Nestlé Ltd and the «Banque cantonale de Genève». Since 1 July 2017, Mr Roth acts as Vice President of the Arab Bank (Switzerland) Ltd.



**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 holds 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:

Name	First-time election	Term of office
Nayla Hayek	1995	up to 2020
Georges Nicolas Hayek	2010	up to 2020
Prof. Dr. h.c. Claude Nicollier	2005	up to 2020
Dr. Jean-Pierre Roth	2010	up to 2020
Ernst Tanner	1995	up to 2020
Daniela Aeschlimann	2016	up to 2020

On the occasion of the General Meeting 2019 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 2019, 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 2019.

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).

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.

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 2019.

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.

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

At 31 December 2019

### 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. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and director 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, lawyer, has been a member of the Extended Group Management Board since 1992 and of the Executive Group Management Board since 2005. Ms. Ollivier-Lamarque 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 was responsible for Swatch Group France and Swatch Group France Les Boutiques until end of 2018 as well as for Italy, Spain, Belgium and The Netherlands. Ms. Ollivier-Lamarque is responsible for the watch brand Flik Flak, member of Board of the Colbert Committee and Vice President of the Fédération de l'Horlogerie, 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. 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). Since September 2019, he is CEO of DYB, responsible for new industrial technologies for the Group and responsible for Comadur in the Executive Group Management Board. 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 EPFL. He has been a member of the Extended Group Management Board since 1994 and of the Executive Group Management Board since 2005, responsible for EM Microelectronic, Micro Crystal, Renata and Oscilloquartz. Mr Darwish has been with the Group since 1979, starting as Project Manager for the Xicor-Ébauches joint venture. Previously, he had been active in research and development for the Centre électronique horloger (CEH, today Centre Suisse de l'électronique et de microtechnique SA, CSEM). From 1985 to 2007 he managed EM Microelectronic as CEO. Mr Darwish represents the Group on the Board of Directors and the Science Council of the CSEM as well as on the Board of FLRH; he is a member of the Swiss Academy of Technical Science. Since 2008, Mr Darwish is a member of the Board of Directors of Belenos Clean Power Holding AG and actively supports several projects.

**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 a member of the Board of Directors of Belenos Clean Power Holding Ltd and since 2019 Vice President and Delegate. 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, Swatch Group Belgium, Swatch Group Netherlands, Swatch Group Luxembourg, 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 the Federation of the Swiss Watch Industry FH, where he presides over the Economic Commission. Mr Kenel continues to be a private lecturer of Finance and Financial Reporting at the University of Lausanne (HEC) as well as at the Swiss Institute of Certified Accountants and Tax Consultants. He is also a member of the Liaison Committee University-Industry at the University of Lausanne (HEC).

**Dr Peter Steiger**, Swiss citizen, who has a doctorate in Public Economics, has been a member of the Extended Group Management Board since 2002 and member of the Executive Group Management Board since 2019, with responsibility for Corporate Controlling and Logistics as well as Swatch Group Singapore, Swatch Group UK, Swatch Group Mexico 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).

**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, Union Glashütte as well as Swatch Group Nordic (Denmark, Finland, Sweden, Norway) 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).

### 4.2 Members of the Extended Group Management Board

**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. Since 2019, he is also responsible for Swatch group France and Swatch Group Monaco Les Boutiques. Mr. Aeschlimann is on the Executive Board of the Federation of the Swiss Watch Industry FH. He had previously worked at Longines and Complemeta 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 Taiwan and Swatch Group Austria. Mr Breschan manages Rado since 1 January 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.

**Daniel Everts**, Swiss citizen, lic. iur., attorney-at-law, MBA from INSEAD in Fontainebleau, France. Member of the Extended Group Management Board since 2019, responsible for Swiss Timing and Swatch Group Poland. Daniel Everts joined Swatch Group in 2010. Since 2016, he holds the position of Chief Legal Officer Corporate & Industry and is responsible for the legal support of the Group companies in the areas of production, electronic systems and corporate. Before joining Swatch Group, Daniel Everts worked as a lawyer in international commercial law firms. He represents Swatch Group as a delegate to the Swiss Watch Industry Employers' Association (Convention Patronale) and is a board member of the Swiss Employers' Association (SAV).



## CORPORATE GOVERNANCE

**Yann Gamard**, French citizen, holds an MBA from Lausanne and has been a member of the Extended Group Management Board since 1998. He is responsible for the watch brand Swatch, Swatch Group Germany as well as the distribution logistics for watches in Europe and for batteries worldwide. 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 and is a member of the Swatch Group's Extended Management Board since 2013, where he is responsible for the companies Renata and Micro Crystal as well as for the FEPS in Shenzhen. 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.

**Roger Juillet**, Swiss citizen, has been a member of the Extended Group Management Board of Swatch Group since 2019. He has been CEO of Nivarox-FAR since 2012 and a member of the Executive Board of ETA since 2019. Mr. Juillet joined the Group in 1969. He has held various positions in a number of Group companies. For example, he joined ETA in 1985 and was appointed Group Manager Automation after working for FHF for several years. In 1998, he assumed the role of production manager for microtechnology components at Nivarox-FAR. Three years later, Mr. Juillet was appointed Production Manager Components and Assembly at the same subsidiary and then took over the management of this key Swatch Group company on 1 April 2012.

**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.

**Mireille Koenig**, Swiss citizen, lic. iur., lawyer, LL.M. (Chinese Law) from Hong Kong University. Member of the Extended Group Management Board since 2019, responsible for the legal interests of the brands and international subsidiaries as well as for Swatch Group Russia and Swatch Group South Korea. Mireille Koenig joined the Swatch Group Legal Department in 2009 and has been Chief Legal Officer Brands & Countries since 2016. She represents Swatch Group as a delegate on the Legal Committee of the Swiss Watch Industry Association (FH). Prior to joining Swatch Group, Mireille Koenig worked for several years as a lawyer in an international business law firm and in a senior position at a Chinese management consultancy in Shanghai.

**Lionel a Marca**, Swiss citizen, has been a member of the Extended Group Management Board of the Swatch Group since 2019. He completed a technical education as a qualified rhabilleur watchmaker at the EHMP (Ecole Horlogerie Mircrotechnique) in Porrentruy. Mr. a Marca has been Vice President of Blancpain since 2004 and Vice President of Harry Winston as Head of Technical and Development Management since 2015. Previously, he was Head of Product at Blancpain for two years. He also served as consultant and project manager for Swatch Group Quality Management and as watchmaker for complications at ETA, as well as at Frédéric Piguet SA. Before joining Swatch Group, Lionel a Marca was a rhabilleur watchmaker in various watch companies in the Jura region.

**Calogero Polizzi**, Italian and Swiss citizen, holds a diploma in information technology from the Industrial Technical Institute L. Cobianchi in Verbania, Italy. He joined Swatch Group in 1999 and is Head of Information Technology at Swatch Group level since 2005, and President and CEO of Swatch Group Italy since 2019. He is a member of the Extended Group Management Board since 2013. Also on this level, he has the responsibility for Information Technology and for Swatch Group Italy. In addition, he is responsible for the software aspects of the new Swiss Operating System for IoT (Internet of Things). He worked as IT Manager at Swatch Group Italy and later as Head of IT at Swatch Group Distribution. Between these two assignments, he has been Chief Information Officer at Tod's S.p.A. Before joining Swatch Group, Mr Polizzi used to work 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 Swatch Group Macau and Country Manager of Swatch Group Hong Kong (he represented these countries from 2000 onwards in the Extended Group Management). Mr Rollenhagen joined Swatch Group in 1989. He started his career as trainee at Tissot and became Regional Sales Manager for Tissot and Omega. Since 1994 he has been active in Hong Kong and China (first as Brand Manager Omega). Before joining Swatch Group Mr Rollenhagen worked with Caterpillar in sales. Mr Rollenhagen represents Swatch Group in the Hong Kong Watch Importers Association where he acts as Treasurer.

## CORPORATE GOVERNANCE

**4.3 Number of permissible mandates**

According to art. 40 of the 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 an exit there are no other entitlements to any compensation.

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

As of 1 February 2019, Mr. Jean-Claude Eggen retired from the Extended Management Board. As of 1 August 2019, Dr. Peter Steiger transferred from the Extended Group Management Board to the Executive Group Management Board. Mrs. Mireille Koenig, Mr. Daniel Everts, Mr. Roger Juillet and Mr. Lionel a Marca were newly appointed to the Extended Group Management Board with effect from 1 August 2019. 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.

**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 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 2019 may be consulted on page 223.



### 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 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.

## 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 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 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 CO).

### 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 Statutes in conjunction with Art. 135 FinMIA).

### 7.2 Clauses on changes of control

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

## 8. Auditors

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

PricewaterhouseCoopers Ltd performs since 1992 the function of external auditor of the Group. Before that, the predecessor organizations already served as auditors for the Group and many of its companies.

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 2019 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.7	1.0	1.2	6.9
Other Auditing Companies	0.6	0.4	0.5	1.5
<b>Total 2019</b>	<b>5.3</b>	<b>1.4</b>	<b>1.7</b>	<b>8.4</b>
Total 2018	5.2	1.6	1.5	8.3

### 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.



## 9. Information policy

The Swatch Group plans to report on the business of the Group at the following times:

- 30 January 2020 Key figures 2019
- 19 March 2020 Press conference / annual report 2019
- 14 May 2020 General Meeting of Shareholders
- 31 July 2020 Half-year figures 2020

The list may change during the year, if dates are adjusted or added. 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://swatchgroup.com) homepage allows for the possibility of subscribing to the Push-and-Pull information service in order to receive ad-hoc-financial announcements.

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

# FINANCIAL STATEMENTS 2019

## CONSOLIDATED FINANCIAL STATEMENTS FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD





**CONSOLIDATED FINANCIAL STATEMENTS**

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[CHF million]	2019	2018	Change in %		Total
			at constant rates	currency effect	
<b>Net sales</b>	<b>8 243</b>	8 475	-1.8%	-0.9%	<b>-2.7%</b>
<b>Operating result</b>	<b>1 023</b>	1 154			<b>-11.4%</b>
- in % of net sales	12.4%	13.6%			
<b>Net income</b>	<b>748</b>	867			<b>-13.7%</b>
- in % of net sales	9.1%	10.2%			
<b>Equity</b>	<b>11 493</b>	11 274			<b>1.9%</b>
- as a % of balance sheet total	83.9%	82.5%			
<b>Dividend in CHF 1)</b>	<b>2019</b>	2018			
- per bearer share	<b>8.00</b>	8.00			
- per registered share	<b>1.60</b>	1.60			

1) For the year under review: Board of Directors' proposal

With its 18 brands, the Swatch Group is present in all segments, and is a fully verticalized company, from production to distribution. The Group has an ideal set-up worldwide, with its own retail network including e-commerce and its own customer service. The Group continuously makes long-term investments, not only in research and development of innovative and unique products, but also in the close to 150 production facilities in Switzerland and in worldwide distribution. As a result, the Group occupies an unparalleled position in the Swiss as well as the worldwide watch industry.



## 2. Environment / Financial year

### Development net sales and operating result

2019 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Net sales</b>	<b>7 966</b>	<b>289</b>	<b>10</b>	<b>-22</b>	<b>8 243</b>
<b>Operating result</b>	<b>1 145</b>	<b>7</b>	<b>-129</b>	<b>0</b>	<b>1 023</b>
- in % of net sales	14.4%	2.4%			12.4%
2018 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Net sales	8 214	273	10	-22	8 475
Operating result	1 258	14	-118	0	1 154
- in % of net sales	15.3%	5.1%			13.6%

The Group performed very well in the financial year 2019, despite political uncertainties and an ongoing negative currency situation. The weakening of the US Dollar and the Euro, as well as other currencies, versus the Swiss Franc in recent months had a negative impact of CHF 76 million or 0.9% on sales.

Performance in the second half of the year – excluding Hong Kong SAR – was positive in all regions. Sales in the Group's own retail stores increased by approximately 2%, despite the negative impact of Hong Kong SAR and a worldwide retail network which was reduced by about 60 stores compared to the previous year.

In Hong Kong SAR, the drop in sales in the second half of 2019 alone was approximately CHF 200 million. The Swatch Group operates more than 90 own retail stores here.

Net sales in the Electronic Systems segment increased by 5.9% to CHF 289 million, with all companies performing positively.

### Development net income

(CHF million)	2019	2018
<b>Operating result</b>	<b>1 023</b>	1 154
Net financial result	-20	-22
<b>Ordinary result</b>	<b>1 003</b>	1 132
Non-operating result	1	1
<b>Profit before income taxes</b>	<b>1 004</b>	1 133
Income taxes	-256	-266
<b>Net income</b>	<b>748</b>	867
- in % of net sales	9.1%	10.2%
- Change from previous year in %	-13.7%	14.8%
<b>Basic earnings per share in CHF</b>	<b>2019</b>	2018
- Registered shares	<b>2.84</b>	3.23
- Bearer shares	<b>14.18</b>	16.14

The net financial result for the year under review closed with a loss of CHF 20 million (previous year: loss of CHF 22 million), primarily influenced by a strongly negative net currency result. Further details to the net financial result can be found in Note 18 of the consolidated financial statements.

Tax expense in proportion to profit before income taxes rose from 23.5% in the previous year to 25.5% in the year under review. The increase is due to, among other things, a change in the country mix in sales and profit, and, in particular, growth in customer demand in Asian markets. A detailed analysis of the income tax expense is set out in Note 27 of the consolidated financial statements.

Net income totaled CHF 748 million (-13.7% compared to previous year) or 9.1% of net sales (previous year: 10.2%).

In the current year, basic earnings per share amounted to CHF 2.84 (previous year: CHF 3.23) for registered shares and CHF 14.18 (previous year: CHF 16.14) for bearer shares. As in previous years, dilution of earnings was immaterial. Detailed information can be found in Note 15 of the consolidated financial statements.

At the Annual General Meeting on 14 May 2020, the Board of Directors of the Swatch Group will propose an unchanged dividend of CHF 8.00 per bearer share and CHF 1.60 per registered share.



## FINANCIAL REVIEW

## Development balance sheet structure

(CHF million)	2019	2018
<b>Current assets</b>	<b>9 555</b>	9 458
<b>Current liabilities</b>	<b>1 361</b>	1 549
<b>Equity</b>	<b>11 493</b>	11 274
– as a % of balance sheet total	83.9%	82.5%
<b>Average return on equity 1)</b>	<b>6.6%</b>	7.7%

1) Net income as a percentage of average equity (previous year plus year under review, divided by two)

Current liabilities were covered by current assets by a factor of 7.0 (previous year: 6.1). This factor indicates a very healthy structure of the short-term balance sheet positions.

In the year under review, despite the capital reduction of The Swatch Group Ltd after the conclusion of the share buyback program 2016-2019 at the beginning of 2019, the equity of the Group increased to CHF 11.5 billion (previous year: CHF 11.3 billion). The equity ratio was 83.9% of total assets (previous year: 82.5%).

## Development liquidity

(CHF million)	2019	2018
<b>Cash and cash equivalents at 1 January</b>	<b>902</b>	1 291
Cash flow from operating activities	1 224	943
Cash flow from investing activities	-344	-651
Cash flow from financing activities (incl. foreign exchange rate differences on cash)	-634	-681
<b>Cash and cash equivalents at 31 December</b>	<b>1 148</b>	902

After-tax operating cash flow generated in 2019 was CHF 1 224 million, an increase of 30% over the previous year, mainly due to consistent management of the net working capital.

Across all segments, Swatch Group invested a total of CHF 459 million in non-current operating assets<sup>1)</sup> in 2019. In addition to further investments in optimization and flexibilization of production capacities, investment was also made in the Group's own retail network and customer service. Free cash flow<sup>2)</sup> tripled from the previous year and amounted to CHF 880 million.

The dividend payment of CHF 413 million (previous year: CHF 394 million) and the decrease of the current financial debts were the main cash flows from financing activities. The net financial position<sup>3)</sup> at the end of the year was CHF 1 348 million.

## 3. Outlook

Group management expects healthy growth in 2020 in all markets in local currency, with the exception of Hong Kong SAR. The currency situation will remain challenging. A special highlight for the Group will be the Olympic Summer Games in Tokyo, where Omega can uniquely showcase itself in one of the largest luxury markets in the world.

1) Investments in property, plant and equipment, in intangible assets and in other non-current assets according to statement of cash flows

2) Cash flow from operating activities minus cash flow from investing activities

3) Cash and cash equivalents and marketable securities and derivative financial instruments minus current and non-current financial debts and derivative financial instruments

## CONSOLIDATED INCOME STATEMENT

	Notes	2019 CHF million	%	2018 CHF million	%
<b>Net sales</b>	(4, 5a)	<b>8 243</b>	<b>100.0</b>	8 475	100.0
Other operating income	(5b)	134	1.6	180	2.1
Changes in inventories		-16	-0.2	632	7.5
Material purchases		-1 600	-19.4	-2 226	-26.3
Personnel expense	(11)	-2 578	-31.3	-2 563	-30.3
Depreciation and impairment on property, plant and equipment	(8)	-437	-5.3	-451	-5.3
Amortization and impairment on intangible assets	(9)	-43	-0.5	-43	-0.5
Other operating expenses	(6a)	-2 680	-32.5	-2 850	-33.6
<b>Operating result</b>		<b>1 023</b>	<b>12.4</b>	1 154	13.6
Other financial income and expense	(18)	-3	-0.0	-19	-0.2
Interest expense	(18)	-8	-0.1	-5	0.0
Share of result from associates and joint ventures	(18, 34)	-9	-0.1	2	0.0
<b>Ordinary result</b>		<b>1 003</b>	<b>12.2</b>	1 132	13.4
Non-operating result	(5c)	1	0.0	1	0.0
<b>Profit before income taxes</b>		<b>1 004</b>	<b>12.2</b>	1 133	13.4
Income taxes	(27a)	-256	-3.1	-266	-3.2
<b>Net income</b>		<b>748</b>	<b>9.1</b>	867	10.2
Attributable to shareholders of The Swatch Group Ltd		730		845	
Attributable to non-controlling interests		18		22	
<b>Earnings per share in CHF</b>	(15)				
<b>Registered shares</b>					
Basic earnings per share		<b>2.84</b>		3.23	
Diluted earnings per share		<b>2.83</b>		3.23	
<b>Bearer shares</b>					
Basic earnings per share		<b>14.18</b>		16.14	
Diluted earnings per share		<b>14.17</b>		16.13	

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



## CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2019		31.12.2018	
		CHF million	%	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents	(19)	1 239	9.0	944	6.9
Marketable securities and derivative financial instruments	(20)	230	1.7	296	2.2
Trade receivables	(5d)	838	6.1	893	6.5
Other current assets	(22)	132	1.0	159	1.2
Inventories	(7)	6 852	50.1	6 917	50.6
Prepayments and accrued income	(23)	264	1.9	249	1.8
<b>Total current assets</b>		<b>9 555</b>	<b>69.8</b>	9 458	69.2
<b>Non-current assets</b>					
Property, plant and equipment	(8)	3 189	23.3	3 245	23.8
Intangible assets	(9)	150	1.1	146	1.1
Investments in associates and joint ventures	(34)	45	0.3	59	0.4
Other non-current assets	(26)	325	2.4	336	2.5
Deferred tax assets	(27d)	428	3.1	417	3.0
<b>Total non-current assets</b>		<b>4 137</b>	<b>30.2</b>	4 203	30.8
<b>Total assets</b>		<b>13 692</b>	<b>100.0</b>	13 661	100.0

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

## CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31.12.2019		31.12.2018	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(21)	101	0.7	203	1.5
Trade payables		313	2.3	393	2.9
Other liabilities	(24)	185	1.4	222	1.6
Provisions	(10)	84	0.6	94	0.7
Accrued expenses	(25)	678	5.0	637	4.6
<b>Total current liabilities</b>		<b>1 361</b>	<b>10.0</b>	1 549	11.3
<b>Non-current liabilities</b>					
Financial debts	(21)	20	0.1	22	0.2
Deferred tax liabilities	(27d)	546	4.0	558	4.1
Retirement benefit obligations	(12)	46	0.3	43	0.3
Provisions	(10)	57	0.4	53	0.4
Accrued expenses	(25)	169	1.3	162	1.2
<b>Total non-current liabilities</b>		<b>838</b>	<b>6.1</b>	838	6.2
<b>Total liabilities</b>		<b>2 199</b>	<b>16.1</b>	2 387	17.5
<b>Equity</b>					
Share capital	(14a)	118		125	
Capital reserves	(14b)	-948		-961	
Treasury shares	(14d)	-195		-1 251	
Goodwill recognized		-1 372		-1 372	
Translation differences		-285		-210	
Retained earnings		14 087		14 854	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>11 405</b>	<b>83.3</b>	11 185	81.9
Non-controlling interests		88	0.6	89	0.6
<b>Total equity</b>		<b>11 493</b>	<b>83.9</b>	11 274	82.5
<b>Total equity and liabilities</b>		<b>13 692</b>	<b>100.0</b>	13 661	100.0

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

(CHF million)	Notes	2019	2018
<b>Operating activities</b>			
Net income		748	867
Share of result from associated companies and joint ventures	(34)	9	-2
Income tax	(27a)	256	266
Depreciation on non-current assets	(8, 9)	481	481
Impairment	(8, 9)	-1	13
Changes in provisions and retirement benefit obligations		-2	-10
Gains/losses on sale of non-current assets		-9	-5
Other non-cash items		3	29
Changes in net working capital:			
- Trade receivables		42	147
- Inventories		21	-633
- Other current assets, prepayments and accrued income		16	27
- Trade payables		-91	57
- Other liabilities and accrued expenses		-7	-11
Dividends received from associated companies and joint ventures	(34)	4	0
Income tax paid	(27c)	-246	-283
<b>Cash flow from operating activities</b>		<b>1 224</b>	<b>943</b>
<b>Investing activities</b>			
Investments in property, plant and equipment		-399	-437
Proceeds from sale of property, plant and equipment		26	5
Investments in intangible assets		-47	-44
Proceeds from sale of intangible assets		0	5
Investments in other non-current assets		-13	-222
Proceeds from sale of other non-current assets		11	14
Purchase of marketable securities		-60	-77
Sale of marketable securities		138	105
<b>Cash flow from investing activities</b>		<b>-344</b>	<b>-651</b>
<b>Financing activities</b>			
Dividends paid to shareholders	(16)	-413	-394
Dividends paid to non-controlling interests		-17	-19
Repurchase of treasury shares		-34	-389
Sale of treasury shares		1	1
Change in non-current financial debts		2	0
Change in current financial debts		-153	144
Repurchase of non-controlling interests	(31c)	-1	-2
<b>Cash flow from financing activities</b>		<b>-615</b>	<b>-659</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>-19</b>	<b>-22</b>
<b>Change in cash and cash equivalents</b>		<b>246</b>	<b>-389</b>
<b>Change in cash and cash equivalents</b>			
- Balance at beginning of year		902	1 291
- Balance at end of year	(19)	<b>1 148</b>	902

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								
	Share capital (Note 14a)	Capital reserves (Note 14b)	Treasury shares (Note 14d)	Goodwill recognized	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
<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>
Employee stock option plan (Note 13):									
- 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>
Net income						730	<b>730</b>	18	<b>748</b>
Currency translation of foreign entities					-75		<b>-75</b>	-2	<b>-77</b>
Dividends paid						-413	<b>-413</b>	-17	<b>-430</b>
Employee stock option plan (Note 13):									
- Value of employee services (net of tax)		12					<b>12</b>		<b>12</b>
- Proceeds from sale of shares		1					<b>1</b>		<b>1</b>
Share capital reduction	-7		1 091			-1 084	<b>0</b>		<b>0</b>
Repurchase of treasury shares		1	-35				<b>-34</b>		<b>-34</b>
Transactions with non-controlling interests		-1					<b>-1</b>	0	<b>-1</b>
<b>Balance at 31 December 2019</b>	<b>118</b>	<b>-948</b>	<b>-195</b>	<b>-1 372</b>	<b>-285</b>	<b>14 087</b>	<b>11 405</b>	<b>88</b>	<b>11 493</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL INFORMATION

#### About this report

The content and structure of the consolidated financial statements 2019 have been revised in comparison to the previous year. These revisions contain the following:

- Integration of accounting principles in the corresponding notes
- Adjustment to the structure of the notes

#### 1. General information

The Swatch Group Ltd 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, Seedorstadt 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 26 February 2020 and will be submitted to the Annual General Meeting of Shareholders for approval on 14 May 2020.

#### 2. Basis of preparation

##### a. Basic accounting policies

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. Changes in accounting policies

No changes to the Swiss GAAP FER standards were published or announced in the year under review.

##### c. 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 7.

**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 27.

#### 3. Events after the balance sheet date

There were no significant events after the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### IMPORTANT OPERATING POSITIONS

#### 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 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 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.

2019 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	7 965	273	5		8 243
– Group	1	16	5	–22	0
<b>Net sales</b>	<b>7 966</b>	<b>289</b>	<b>10</b>	<b>–22</b>	<b>8 243</b>
<b>Operating result</b>	<b>1 145</b>	<b>7</b>	<b>–129</b>	<b>0</b>	<b>1 023</b>
– in % of net sales	14.4%	2.4%			12.4%
2018 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 213	257	5		8 475
– Group	1	16	5	–22	0
<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>0</b>	<b>1 154</b>
– in % of net sales	15.3%	5.1%			13.6%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

**b. Net sales by geographical region**

(CHF million)	2019	2018
Switzerland	753	748
Other Europe	1 564	1 623
<b>Total Europe</b>	<b>2 317</b>	2 371
Greater China	2 962	3 093
Other Asia	2 108	2 127
<b>Total Asia</b>	<b>5 070</b>	5 220
<b>Total America</b>	<b>707</b>	733
<b>Total Oceania</b>	<b>94</b>	87
<b>Total Africa</b>	<b>55</b>	64
<b>Total</b>	<b>8 243</b>	8 475

For the geographical presentation, sales are reported according to the destinations that appear on the invoices.

**5. Revenues and trade receivables**

**a. Net sales**

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.

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.

(CHF million)	2019	2018
Sale of goods	8 222	8 454
Rendering of services	21	21
<b>Total net sales</b>	<b>8 243</b>	8 475

**b. Other operating income**

In the year under review, other operating income amounted to CHF 134 million (previous year: CHF 180 million). The decrease is mainly due to the timekeeping services rendered in the previous year for the Olympic Games.

**c. Non-operating result**

Only net income from investment property was included in the non-operating result position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

**d. 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. Since no independent rating is available for most customers, their creditworthiness is assessed by the local credit control departments. In doing so, their asset and financial positions, previous experience and other factors are taken into consideration.

Bad debts are definitely 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.

(CHF million)	31.12.2019	31.12.2018
Trade receivables – gross	856	908
Allowance for impaired receivables	-18	-15
<b>Total trade receivables – net</b>	<b>838</b>	893

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

(CHF million)	2019	2018
<b>Balance at 1 January</b>	<b>-15</b>	-13
Translation differences	0	0
Utilization	1	2
Reversal	1	1
Creation	-5	-5
<b>Balance at 31 December</b>	<b>-18</b>	-15

**6. Expenses**

**a. Other operating expenses**

(CHF million)	2019	2018
Marketing, sales and administration	-1 245	-1 358
Subcontracting and other direct costs of sales	-284	-315
Maintenance, rents and energy	-1 096	-1 080
Other operating expenses	-55	-97
<b>Total other operating expenses</b>	<b>-2 680</b>	-2 850

**b. Research and development costs**

Costs for research and development activities amounted to CHF 251 million in the year under review, representing 3.0% of net sales (previous year: CHF 225 million or 2.7% of net sales).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

### 7. 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.

(CHF million)	31.12.2019	31.12.2018
Raw materials, auxiliary material and supplies	519	666
Goods in progress	446	534
Semi-finished goods	1 910	1 896
Finished goods	3 625	3 476
Spare parts for customer service	352	345
<b>Total inventories</b>	<b>6 852</b>	<b>6 917</b>

Inventories with risk of obsolescence have been adjusted to their net realizable value as follows:

(CHF million)	2019	2018
Additional write-downs	-44	-48
Reversal of write-downs	3	3
<b>Net impact in the income statement</b>	<b>-41</b>	<b>-45</b>

### 8. 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

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.

#### Impairment

The recoverable value and the remaining useful life of non-current assets are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

(CHF million)	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
<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>
Translation differences	-8	-9	-7	0	-24
Additions	65	214	104	26	409
Disposals	-24	-87	-50	0	-161
Transfers	161	-3	11	-169	0
<b>Historical cost, 31 December 2019</b>	<b>2 650</b>	<b>4 224</b>	<b>815</b>	<b>55</b>	<b>7 744</b>
<b>Accumulated depreciation, 31 December 2018</b>	<b>-873</b>	<b>-2 930</b>	<b>-472</b>	<b>0</b>	<b>-4 275</b>
Translation differences	2	5	5	0	12
Annual depreciation	-75	-258	-105	0	-438
Impairment	0	1	0	0	1
Depreciation on disposals	15	83	47	0	145
Transfers	0	0	0	0	0
<b>Accumulated depreciation, 31 December 2019</b>	<b>-931</b>	<b>-3 099</b>	<b>-525</b>	<b>0</b>	<b>-4 555</b>
<b>Net book values</b>					
Balance at 31 December 2018	1 583	1 179	285	198	3 245
<b>Balance at 31 December 2019</b>	<b>1 719</b>	<b>1 125</b>	<b>290</b>	<b>55</b>	<b>3 189</b>
<i>of which investment properties at 31.12.2019</i>	<i>435</i>				
<i>of which undeveloped properties at 31.12.2019</i>	<i>30</i>				

(CHF million)	Land, buildings and properties	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	0
<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>0</b>	<b>-4 007</b>
Translation differences	0	10	7	0	17
Annual depreciation	-70	-265	-103	0	-438
Impairment	0	-8	-5	0	-13
Depreciation on disposals	3	126	37	0	166
Transfers	0	-3	3	0	0
<b>Accumulated depreciation, 31 December 2018</b>	<b>-873</b>	<b>-2 930</b>	<b>-472</b>	<b>0</b>	<b>-4 275</b>
<b>Net book values</b>					
Balance at 31 December 2017	1 584	1 216	301	180	3 281
<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>
<i>of which investment properties at 31.12.2018</i>	<i>435</i>				
<i>of which undeveloped properties at 31.12.2018</i>	<i>27</i>				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

**9. Intangible assets**

**Capitalized development costs**

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

**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 26).
- Patents and rights of use
- Development and software projects in progress. These are transferred into their respective categories after project completion.

**Goodwill**

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 33).

**Impairment**

The principle for recognition of impairment on non-current assets is described in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**IMPORTANT OPERATING POSITIONS**

	Capitalized development costs	Software	Other intangible assets	Total
(CHF million)				
<b>Historical cost, 31 December 2018</b>	<b>179</b>	<b>189</b>	<b>106</b>	<b>474</b>
Translation differences	0	-1	-2	-3
Additions	6	14	28	48
Disposals	-1	-2	0	-3
Transfers	5	8	-13	0
<b>Historical cost, 31 December 2019</b>	<b>189</b>	<b>208</b>	<b>119</b>	<b>516</b>
<b>Accumulated amortization, 31 December 2018</b>	<b>-134</b>	<b>-148</b>	<b>-46</b>	<b>-328</b>
Translation differences	0	1	1	2
Annual amortization	-20	-20	-3	-43
Impairment	0	0	0	0
Amortization on disposals	1	2	0	3
Transfers	0	-6	6	0
<b>Accumulated amortization, 31 December 2019</b>	<b>-153</b>	<b>-171</b>	<b>-42</b>	<b>-366</b>
<b>Net book values</b>				
Balance at 31 December 2018	45	41	60	146
<b>Balance at 31 December 2019</b>	<b>36</b>	<b>37</b>	<b>77</b>	<b>150</b>

	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	0
<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	0	0	0	0
Amortization on disposals	3	2	3	8
Transfers	0	0	0	0
<b>Accumulated amortization, 31 December 2018</b>	<b>-134</b>	<b>-148</b>	<b>-46</b>	<b>-328</b>
<b>Net book values</b>				
Balance at 31 December 2017	43	39	65	147
Balance at 31 December 2018	45	41	60	146



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### IMPORTANT OPERATING POSITIONS

#### 10. 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.

(CHF million)	Warranty	Legal risks	Dismantling	Other	Total
<b>Balance at 31 December 2017</b>	<b>110</b>	<b>8</b>	<b>27</b>	<b>17</b>	<b>162</b>
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>
<i>thereof current provisions</i>	<i>74</i>	<i>3</i>	<i>4</i>	<i>13</i>	<i>94</i>
<i>thereof non-current provisions</i>	<i>19</i>	<i>5</i>	<i>26</i>	<i>3</i>	<i>53</i>
Translation differences	-1	0	0	0	-1
Additional provisions	82	1	1	7	91
Reversal of provisions	-5	0	-1	-7	-13
Provisions used during the year	-78	-1	-2	-2	-83
<b>Balance at 31 December 2019</b>	<b>91</b>	<b>8</b>	<b>28</b>	<b>14</b>	<b>141</b>
<i>thereof current provisions</i>	<i>70</i>	<i>3</i>	<i>3</i>	<i>8</i>	<i>84</i>
<i>thereof non-current provisions</i>	<i>21</i>	<i>5</i>	<i>25</i>	<i>6</i>	<i>57</i>

##### 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

Various 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. This category contains also restructuring provisions in the amount of CHF 2 million (previous year: CHF 2 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### PERSONNEL

#### 11. Personnel expense

(CHF million)	2019	2018
Wages and salaries	-2 080	-2 066
Social security costs	-353	-354
Employee stock option plan (Note 13)	-12	-16
Pension costs (Note 12)	-133	-127
<b>Total personnel expense</b>	<b>-2 578</b>	<b>-2 563</b>

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

(unaudited)	2019	2018
<b>Average annual headcount</b>	<b>36 596</b>	36 074
<b>Total headcount at 31 December</b>	<b>36 089</b>	37 123
<i>Men</i>	<i>17 654</i>	17 904
<i>Women</i>	<i>18 435</i>	19 219
<i>Swiss contracts</i>	<i>17 562</i>	18 055
<i>Non-Swiss contracts</i>	<i>18 527</i>	19 068

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

#### 12. Retirement benefit obligations

##### 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  
**PERSONNEL**

**a. Economic benefit / obligation and pension costs**

2019	Surplus / deficit	Group's economic share	Change from previous year		Contributions concerning the business period	Total pension costs
			no income statement impact 1)	income statement impact		
(CHF million)						
Patronage funds / patronage pension plans	399	0	0	0	12	12
Pension plans without surplus / deficit	0	0	0	0	-7	-7
Pension plans with surplus	0	0	0	0	-2	-2
Pension plans with deficit	-307	-2	2	-2	-126	-128
Pension plans without own assets	0	-44	5	-8	0	-8
<b>Total</b>	<b>92</b>	<b>-46</b>	<b>7</b>	<b>-10</b>	<b>-123</b>	<b>-133</b>

2018	Surplus / deficit	Group's economic share	Change from previous year		Contributions concerning the business period	Total pension costs
			no income statement impact 1)	income statement impact		
(CHF million)						
Patronage funds / patronage pension plans	383	0	0	0	8	8
Pension plans without surplus / deficit	0	0	0	0	-8	-8
Pension plans with surplus	0	0	0	0	-2	-2
Pension plans with deficit	-372	-2	1	0	-119	-119
Pension plans without own assets	0	-41	5	-6	0	-6
<b>Total</b>	<b>11</b>	<b>-43</b>	<b>6</b>	<b>-6</b>	<b>-121</b>	<b>-127</b>

1) The amounts without an income statement impact refer to exchange rate differences and disbursements.

**b. Summary of pension costs**

	2019			2018		
	Switzerland	Abroad	Total	Switzerland	Abroad	Total
(CHF million)						
Contributions to pension plans charged to Group companies	-109	-14	-123	-102	-14	-116
Contributions to pension plans paid from employer contributions reserve	0	0	0	0	0	0
<b>Total contributions</b>	<b>-109</b>	<b>-14</b>	<b>-123</b>	<b>-102</b>	<b>-14</b>	<b>-116</b>
Change of employer contributions reserve from evolution of fortune, impairments, discounting, etc.	0	0	0	-5	0	-5
<b>Contributions and change in employer contributions reserve</b>	<b>-109</b>	<b>-14</b>	<b>-123</b>	<b>-107</b>	<b>-14</b>	<b>-121</b>
Increase / decrease of Group's economic benefits from surpluses	0	0	0	0	0	0
Decrease / increase of economic obligations from deficits	0	-10	-10	0	-6	-6
<b>Total changes of economic effects from surpluses / deficits</b>	<b>0</b>	<b>-10</b>	<b>-10</b>	<b>0</b>	<b>-6</b>	<b>-6</b>
<b>Total pension costs</b>	<b>-109</b>	<b>-24</b>	<b>-133</b>	<b>-107</b>	<b>-20</b>	<b>-127</b>

**c. Shares held by pension institutions**

	31.12.2019	31.12.2018
<b>Number of shares of The Swatch Group Ltd</b>		
Registered shares	3 703 796	3 693 987
Bearer shares	12 165	11 165

**d. Employer contributions reserve**

At the end of the year under review, and at the end of the previous year, there was no employer contributions reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**PERSONNEL**

**13. 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. 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.

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 (day 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 were issued for the employee stock option plan. The proceeds received are recognized in Group equity when the options are exercised.

The dilutive effect of outstanding options on earnings per registered share is disclosed in Note 15b.

Balance of registered shares in the employee stock option plan	2019	2018
Balance at 1 January	2 954 449	449 319
Transfer from treasury shares	0	2 715 000
Exercised shares	-212 114	-209 870
<b>Balance at 31 December</b>	<b>2 742 335</b>	<b>2 954 449</b>

Options outstanding	2019	2018
Options outstanding at 1 January	212 327	207 287
Granted	201 503	215 296
Forfeited or lapsed	-1 510	-386
Exercised	-212 114	-209 870
<b>Options outstanding at 31 December</b>	<b>200 206</b>	<b>212 327</b>

Expiry date of outstanding options	31.12.2019	31.12.2018
2019		140 519
2020	132 958	71 808
2021	67 248	
<b>Total</b>	<b>200 206</b>	<b>212 327</b>

The personnel expense recorded in the income statement of the year under review amounted to CHF 12 million (previous year: CHF 16 million).

Valuation of options	2019		2018	
	Portion exercisable in 1 year	Portion exercisable in 2 years	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date	31.05.2019	31.05.2019	31.05.2018	31.05.2018
Expiry date	31.05.2020	31.05.2021	31.05.2019	31.05.2020
Share price on grant date	CHF 48.36	CHF 48.36	87.55	87.55
Exercise price	CHF 4.00	CHF 4.00	4.00	4.00
Day value on grant date	CHF 44.36	CHF 44.36	83.55	83.55



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CAPITAL AND TREASURY**

#### 14. Share capital and reserves

Shares issued by The Swatch Group Ltd 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.

Treasury shares that are reacquired are deducted from equity at historical cost. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of treasury shares. 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.

##### 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
	at CHF 0.45		at CHF 2.25		
31.12.2017	124 045 000		30 840 000		125 210 250.00
31.12.2018	124 045 000		30 840 000		125 210 250.00
Cancelled shares	-7 125 500		-1 904 000		-7 490 475.00
<b>31.12.2019</b>	<b>116 919 500</b>		<b>28 936 000</b>		<b>117 719 775.00</b>

In accordance with the resolution passed at the Annual General Meeting on 23 May 2019, all repurchased shares from the 2016-2019 program, as well as the remaining bearer shares from the 2008 program, were cancelled.

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.

##### 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 219 million (previous year: CHF 1 276 million). This amount consisted of CHF 195 million related to treasury shares held (previous year: CHF 1 251 million) and non-distributable legal reserves of CHF 24 million (previous year: CHF 25 million).

##### d. Treasury shares

Changes in shares of The Swatch Group Ltd held by the Group are presented in the following table:

	Registered shares		Bearer shares		Total CHF million
	Quantity	CHF million	Quantity	CHF million	
<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 1)	2 653 800	192	522 900	196	388
Disposals 2)	-218 618	0	0	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>
Acquisitions 1)	314 433	18	56 450	17	35
Disposals 2)	-212 114	0	0	0	0
Cancellations 3)	-7 125 500	-478	-1 904 000	-613	-1 091
<b>Balance at 31 December 2019</b>	<b>3 178 416</b>	<b>173</b>	<b>65 000</b>	<b>22</b>	<b>195</b>

1) In the year under review, the Group acquired 314 433 registered shares (previous year: 2 653 800) at an average price of CHF 58.55 (previous year: CHF 72.22). In addition 56 450 bearer shares (previous year: 522 900) at an average price of CHF 295.67 (previous year: CHF 376.02) were acquired.

2) In the year under review, disposals of 212 114 registered shares (previous year: 209 870) relate to the employee stock option plan (see Note 13). In the previous year, 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 (year under review: none). Details of the transaction are disclosed in Note 31.

3) The cancellations are related to a capital reduction in accordance with the resolution passed at the Annual General Meeting of 23 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CAPITAL AND TREASURY**

#### 15. Earnings per share

##### a. Basic

	2019	2018
<b>Net income attributable to shareholders of The Swatch Group Ltd (CHF million)</b>	<b>730</b>	845
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.0%	44.1%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	56.0%	55.9%

##### Registered shares

	2019	2018
Net income attributable to registered shareholders (CHF million)	322	373
Average number of shares outstanding	113 428 394	115 449 571
<b>Basic earnings per share (CHF)</b>	<b>2.84</b>	3.23

##### Bearer shares

	2019	2018
Net income attributable to bearer shareholders (CHF million)	408	472
Average number of shares outstanding	28 814 317	29 268 442
<b>Basic earnings per share (CHF)</b>	<b>14.18</b>	16.14

##### b. Diluted

##### Registered shares

	2019	2018
Net income attributable to registered shareholders (CHF million)	322	373
Average number of shares outstanding – basic (as above)	113 428 394	115 449 571
Potential number of shares from options outstanding	185 285	201 235
Average potential number of shares outstanding – diluted	113 613 679	115 650 805
<b>Diluted earnings per share (CHF)</b>	<b>2.83</b>	3.23

##### Bearer shares

	2019	2018
Net income attributable to bearer shareholders (CHF million)	408	472
Average potential number of shares outstanding	28 814 317	29 268 442
<b>Diluted earnings per share (CHF)</b>	<b>14.17</b>	16.13

#### 16. Dividends paid and proposed

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.

On 23 May 2019, the Annual General Meeting approved the distribution of the following dividend:

	Dividend per share CHF	Total dividend CHF million
<b>Dividend paid</b>		
Registered shares	1.60	198
Bearer shares	8.00	247
<b>Total dividend</b>		<b>445</b>
Dividend not paid out on own shares		-32
<b>Total dividend paid</b>		<b>413</b>

At the Annual General Meeting on 14 May 2020, the payment of the following dividend for the year under review will be proposed and treated as an appropriation of available earnings during the financial year 2020:

	Dividend per share CHF	Total dividend CHF million
<b>Proposed dividend</b>		
Registered shares	1.60	187
Bearer shares	8.00	231
<b>Total dividend</b>		<b>418</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CAPITAL UND TREASURY**

## 17. 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.

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. 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. 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)	31.12.2019	31.12.2018
Cash and cash equivalents (Note 19)	1 239	944
Marketable securities and derivative financial instruments (Note 20)	230	296
<b>Short-term accessible liquidity reserves</b>	<b>1 469</b>	1 240
Committed credit facilities	809	824
/. Utilized credit facilities	-118	-222
<b>Total short-term accessible liquidity reserves and undrawn credit facilities</b>	<b>2 160</b>	1 842

### 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. 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  
**CAPITAL AND TREASURY**

## 18. Net financial result

(CHF million)	2019	2018
Interest income	21	14
Result from marketable securities at fair value	19	-4
Net currency result	-39	-25
Other financial expense	-4	-4
<b>Other financial income and expense</b>	<b>-3</b>	-19
<b>Interest expense</b>	<b>-8</b>	-5
<b>Share of result from associates and joint ventures</b>	<b>-9</b>	2
<b>Net financial result</b>	<b>-20</b>	-22

## 19. 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. 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. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less current account overdrafts (funds "net cash").

(CHF million)	31.12.2019	31.12.2018
Current accounts and liquid assets	929	799
Short-term deposits with financial institutions	310	145
<b>Total cash and cash equivalents - balance sheet</b>	<b>1 239</b>	944

(CHF million)	31.12.2019	31.12.2018
Cash and cash equivalents	1 239	944
Current account overdrafts (Note 21)	-91	-42
<b>Total funds net cash - statement of cash flows</b>	<b>1 148</b>	902

## 20. Marketable securities and derivative financial instruments

### 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. In general, issuer risk is minimized by only buying securities which are investment grade rated.

### Derivative financial instruments

The Group did not designate derivative financial instruments as cash flows hedges, either in the year under review or in the previous year. All such instruments are booked at fair value. Fair value changes are recognized immediately in the financial result. 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.

(CHF million)	31.12.2019	31.12.2018
Equity securities	32	57
Bond securities	183	224
Investment funds and other investments	9	10
<b>Total marketable securities at fair value</b>	<b>224</b>	291
<b>Derivative financial instruments</b>	<b>6</b>	5
<b>Total marketable securities and derivative financial instruments</b>	<b>230</b>	296



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CAPITAL UND TREASURY**

At the end of the year under review, there was no option contract outstanding (none in the previous year). The table below gives an overview of the contract values and fair values of open forward contracts.

(CHF million)	31.12.2019			31.12.2018		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
<b>Forward contracts in</b>						
EUR	350	1	0	431	1	0
GBP	76	0	0	80	0	-1
USD	437	5	0	1 063	3	0
Other currencies	126	0	0	104	1	0
<b>Total</b>	<b>989</b>	<b>6</b>	<b>0</b>	<b>1 678</b>	<b>5</b>	<b>-1</b>

## 21. Financial debts and derivative financial instruments

### Financial debts

Financial debts are recognized as nominal values. Any transaction costs incurred are posted 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. The exposure of the Group's financial debts to interest rate changes is limited as most of these debts have fixed interest rates.

### Derivative financial instruments

The accounting principles for derivative financial instruments are explained in Note 20.

(CHF million)	31.12.2019	31.12.2018
Current account overdrafts	91	42
Short-term bank debts	10	160
Derivative financial instruments	0	1
<b>Total current financial debts and derivative financial instruments</b>	<b>101</b>	<b>203</b>
<b>Total non-current financial debts</b>	<b>20</b>	<b>22</b>
<b>Total financial debts</b>	<b>121</b>	<b>225</b>

The contractual repricing dates at the balance sheet date are as follows:

(CHF million)	< 1 year	1-5 years	> 5 years	Total
<b>At 31 December 2019</b>	<b>101</b>	<b>18</b>	<b>2</b>	<b>121</b>
At 31 December 2018	203	20	2	225

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

(CHF million)	31.12.2019	31.12.2018
CHF	94	43
JPY	20	25
USD	0	148
Other currencies	7	9
<b>Total</b>	<b>121</b>	<b>225</b>

At the end of the year under review, no short term bank loans in USD were open (previous year: USD 150 million or CHF 148 million at 2.9 %). The long-term financial debts at the end of the year under review included a mortgage of JPY 1 750 million or CHF 16 million (previous year: JPY 2 250 million or CHF 20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**NOTES TO THE CONSOLIDATED BALANCE SHEET**

## 22. Other current assets

(CHF million)	31.12.2019	31.12.2018
VAT to be refunded	86	117
Other receivables	46	42
<b>Total other current assets</b>	<b>132</b>	<b>159</b>

## 23. Prepayments and accrued income

(CHF million)	31.12.2019	31.12.2018
Prepaid sales, marketing and administration costs	102	68
Income tax assets	18	23
Prepaid leasing costs	32	49
Other prepayments and accrued income	112	109
<b>Total prepayments and accrued income</b>	<b>264</b>	<b>249</b>

## 24. Other liabilities

(CHF million)	31.12.2019	31.12.2018
Advance payments received	53	39
Income tax liabilities	10	9
VAT liabilities	37	71
Other tax liabilities	11	26
Social benefits liabilities	36	39
Other liabilities	38	38
<b>Total other liabilities</b>	<b>185</b>	<b>222</b>

## 25. Accrued expenses

(CHF million)	31.12.2019	31.12.2018
Accrued salaries and social benefits	168	177
Accrued sales, marketing and administration costs	160	162
Accrued income taxes	144	113
Accrued sales reductions	74	73
Accrued leasing costs	183	175
Other accrued expenses	118	99
<b>Total accrued expenses</b>	<b>847</b>	<b>799</b>
<i>thereof current</i>	<i>678</i>	<i>637</i>
<i>thereof non-current</i>	<i>169</i>	<i>162</i>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**26. Other non-current assets**

**Non-current accruals**

This position contains the non-current portion of prepayments and accrued income, particularly prepaid marketing and leasing cost. Key money paid when renting stores in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain, and booked to rent expense on a straight-line basis over the contract period. The current portion is transferred to Prepayments and accrued income.

	Non-current accruals	Security deposits	Other financial assets	Total
(CHF million)				
<b>Balance at 31 December 2018</b>	<b>32</b>	<b>96</b>	<b>208</b>	<b>336</b>
Translation differences	-1	-1	-2	-4
Additions	4	11	4	19
Disposals	0	-6	-1	-7
Balance sheet transfer	0	-7	-12	-19
<b>Balance at 31 December 2019</b>	<b>35</b>	<b>93</b>	<b>197</b>	<b>325</b>

	Non-current accruals	Security deposits	Other financial assets	Total
(CHF million)				
Balance at 31 December 2017	41	90	13	144
Translation differences	-2	0	2	0
Additions	7	15	200	222
Disposals	0	-10	-7	-17
Balance sheet transfer	-14	1	0	-13
Balance at 31 December 2018	32	96	208	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**OTHER INFORMATION**

**27. 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.

**a. Income tax expenses**

(CHF million)	2019	2018
Current income taxes	-290	-266
Income tax of prior periods	6	-5
Deferred taxes	28	5
<b>Total income taxes</b>	<b>-256</b>	<b>-266</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.

	2019	2018
Group's average expected tax rate	24.4%	22.3%
Effect of:		
- Tax rate changes on deferred taxes	-2.1%	-0.2%
- Recognition and offset of tax loss carry-forwards not recognized in prior years	-0.4%	-0.3%
- Non-recognition of tax loss carry-forwards	3.8%	1.0%
- Non-taxable income	-0.2%	-0.4%
- Non-tax-deductible expenses	0.8%	0.6%
- Items taxable at reduced rates	-0.1%	-0.1%
- Income tax of prior periods	-0.6%	0.4%
- Other items	-0.1%	0.2%
<b>Group's effective tax rate</b>	<b>25.5%</b>	<b>23.5%</b>

The effective tax rate based on the ordinary result in the year under review was 25.5 % (previous year: 23.5 %).

Legislative amendments in the home cantons of the Group resulting from Swiss tax reforms will have an immaterial positive impact on the Group tax rate. However, this will mainly affect current taxes as of 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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c. Current income tax

Net current income tax liability (CHF million)	2019	2018
<b>Balance at 1 January</b>	<b>-99</b>	-113
Recognized in income statement	-284	-271
Recognized in equity	-1	0
Income taxes paid	246	283
Translation differences	2	2
<b>Balance at 31 December</b>	<b>-136</b>	-99
Current income tax assets	18	23
Current income tax liabilities	-154	-122

d. Deferred tax

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

(CHF million)	31.12.2019			31.12.2018		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	310	-337	-27	293	-341	-48
Trade and other receivables	2	-14	-12	2	-15	-13
Property, plant and equipment	18	-122	-104	16	-135	-119
Intangible assets	9	-7	2	11	-7	4
Provisions	15	-42	-27	15	-49	-34
Retirement benefit obligations	6	0	6	6	0	6
Accrued expenses	69	-34	35	63	-36	27
Tax losses	16	0	16	25	0	25
Other	10	-17	-7	15	-4	11
<b>Total deferred tax assets / liabilities</b>	<b>455</b>	<b>-573</b>	<b>-118</b>	446	-587	-141
Deferred tax assets			428			417
Deferred tax liabilities			-546			-558

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)	2019			2018		
	Not recognized	Recognized	Total	Not recognized	Recognized	Total
Up to five years	192	15	207	75	25	100
More than five years	207	32	239	183	61	244
No expiry date	118	22	140	147	25	172
<b>Total at 31 December</b>	<b>517</b>	<b>69</b>	<b>586</b>	405	111	516

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 113 million in the year under review (previous year: CHF 97 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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28. Commitments and contingencies

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.

Finance leases

A finance lease is where the lessor transfers to the lessee the significant 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 exceptionally. 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).

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 32 million (previous year: CHF 37 million).

Total assets pledged by Group companies to guarantee their commitments amounted to CHF 128 million at the end of the year under review (previous year: CHF 132 million), of which CHF 22 million served to secure financial debts (previous year: CHF 25 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)	31.12.2019	31.12.2018
Less than 1 year	460	465
Between 1 and 5 years	1 243	1 284
Over 5 years	861	1 048
<b>Total</b>	<b>2 564</b>	2 797

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 695 million were recognized in the income statement of the year under review, compared to CHF 683 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 720 million (previous year: CHF 749 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 10b).

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  
OTHER INFORMATION

## 29. 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 61 721 546 registered shares and 12 855 bearer shares, equivalent to 42.3% of all voting rights (previous year: 39.8%) 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 41.8% of all voting rights (previous year: 39.3%).

### 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. Total compensation for key management personnel was as follows:

(CHF million)	2019	2018
Short-term employee benefits	23.8	24.7
– of which in salaries	7.9	8.0
– of which in bonus	15.4	16.2
– of which in expense allowances	0.5	0.5
– of which in other benefits	0.0	0.0
Share-based compensation	6.3	12.8
Contributions to pension plans	0.6	1.2
Other social benefits	2.5	4.0
<b>Total</b>	<b>33.2</b>	<b>42.7</b>

In the year under review and in the previous year, no termination benefits were paid to members of the Board of Directors, the Management Board or the Extended Management Board. The employment contracts of members of management bodies do not provide for this type of benefit. In the year under review and in the previous year, no payments were made to former members of the Group's governing bodies for their past functions.

### 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 56 920 490 registered shares and 770 bearer shares, representing 39.0% of all voting rights (previous year: 36.7%). 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% of all voting rights (previous year: 0%).

### d. Loans to members of the governing bodies

The employees of the company may take out a mortgage loan with the Swiss Pension Fund of the Swatch Group for the construction or acquisition of property in Switzerland. The conditions for these mortgage loans are set by the Foundation Board of the Swiss Pension Fund of the Swatch Group. These conditions are applied in the same manner to all Swatch Group 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 following table summarizes transactions, receivables and payables with associated companies, joint ventures (see Note 35b) and other related parties. Consulting services invoiced by the Hayek Group are recognized in Other related parties. At the end of the year under review and the previous year, there were no other balances outstanding with other related parties.

(CHF million)	2019		2018	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Purchases	76	10	68	8
Sales	38	0	46	0
Receivables	2	0	4	0
Payables	3	1	4	0
Guarantees received	0	0	0	0
Loans granted	7	0	9	0
Interest rate on loans granted	4.2%	0	4.5%	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
CONSOLIDATION AND GROUP STRUCTURE

## 30. Consolidation

### 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 until 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 acquisitions is recognized in Group equity at acquisition date. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the acquired goodwill would have (see Note 33). 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 the voting rights on share capital of an entity. 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.

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATION AND GROUP STRUCTURE

#### a. Consolidated companies

	2019	2018
Number of companies at 1 January	158	162
Group internal mergers	-3	-3
Liquidations	-2	-1
<b>Number of companies at 31 December</b>	<b>153</b>	<b>158</b>
<i>of which associates</i>	5	5
<i>of which joint ventures</i>	2	2

#### b. Exchange rates

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2019	31.12.2019	2018	31.12.2018
CNY	1	0.1443	0.1392	0.1478	0.1435
EUR	1	1.1134	1.0880	1.1540	1.1285
HKD	1	0.1271	0.1245	0.1250	0.1261
JPY	100	0.9133	0.8925	0.8892	0.8985
USD	1	0.9955	0.9700	0.9799	0.9875

## 31. 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 August 2019, the Swatch Group acquired the remaining 40% of shares of Termiboîtes S.A., a watch case polishing company. The Swatch Group already had control over the company. The transaction amounted to CHF 1 million. The difference between the purchase price and the proportional equity of the company amounted to CHF 1 million and was recorded in the capital reserves.

In the previous year, 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 ASI Centrum 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.

## 32. Discontinued operations

Swatch Group announced on 22 October 2019 with a press release that the licensing agreement with Calvin Klein will end at its date of expiration (in the near future) after more than 22 years of exclusive licensing collaboration. This operation, organized as Profit Center, with its representations in the worldwide distribution network of the Swatch Group subsidiaries, realized the following key figures:

(CHF million)	2019	2018
Net sales	117	173
Operating result	-33	-12

The net sales were realized mainly in Asia (over 50%) and Europe (over 30%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATION AND GROUP STRUCTURE

## 33. Acquired 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. 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 translated into CHF with the exchange rate applicable on the respective transaction date, and is recognized directly in Group equity. As a result, no currency adjustments are necessary in the statement of changes in goodwill. The estimated useful life of goodwill is between 5 and 10 years.

A goodwill impairment test is carried out at every balance sheet date. A goodwill impairment would not result in a charge being recorded in the income statement, but would lead 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.

#### a. Theoretical statement of changes in goodwill

The theoretical capitalization of goodwill would have the following impact on the consolidated balance sheet:

(CHF million)	2019			2018		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
<b>Historical cost 1 January</b>	<b>1 389</b>	<b>48</b>	<b>1 437</b>	1 389	48	1 437
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<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 1 January</b>	<b>-980</b>	<b>-42</b>	<b>-1 022</b>	-875	-39	-914
Theoretical annual amortization	-102	-3	-105	-105	-3	-108
Theoretical impairment	0	0	0	0	0	0
Theoretical amortization on disposals	0	0	0	0	0	0
<b>Theoretical accumulated amortization 31 December</b>	<b>-1 082</b>	<b>-45</b>	<b>-1 127</b>	-980	-42	-1 022
<b>Theoretical net book value 31 December</b>	<b>307</b>	<b>3</b>	<b>310</b>	409	6	415

#### b. Theoretical impact on equity and net income

Had goodwill been capitalized and amortized, the theoretical effect on equity and net income would have been as follows:

(CHF million)	31.12.2019	31.12.2018
Equity per balance sheet	11 493	11 274
Theoretical capitalization of net book value of goodwill	310	415
<b>Theoretical equity including net book value of goodwill</b>	<b>11 803</b>	<b>11 689</b>

(CHF million)	2019	2018
Net income per income statement	748	867
Theoretical amortization of goodwill	-105	-108
<b>Theoretical net income after goodwill amortization</b>	<b>643</b>	<b>759</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CONSOLIDATION AND GROUP STRUCTURE**

### 34. Investments in associates and joint ventures

All associates and joint ventures (see Note 35b) are recognized using the equity method.

(CHF million)	2019	2018
<b>Balance at 1 January</b>	<b>59</b>	57
Share of result from associates and joint ventures	-9	2
Dividends received	-4	0
Investments	0	0
Translation differences	-1	0
<b>Balance at 31 December</b>	<b>45</b>	59

In the year under review and the previous year, there were no significant changes in investments in associates and joint ventures.

At balance sheet date, associated companies and joint ventures had no contingent liabilities (previous year: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CONSOLIDATION AND GROUP STRUCTURE**

### 35. The Swatch Group Companies

As at 31.12.2019

#### a. Fully consolidated

Company name, Registered offices	Field of Activity	Capital in millions	Group participation
<b>EUROPE</b>			
<b>Switzerland</b>			
The Swatch Group AG, Neuchâtel	Holding	CHF 117.72	
Assemti SA, Locarno	Assembly	CHF 0.10	100%
Belenos Clean Power Engineering AG, Biel/Bienne	Research and development	CHF 0.25	60%
Belenos Clean Power Holding AG, Biel/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%
CHH Microtechnique SA, Le Chenit	Watch components	CHF 0.10	100%
Cité du Temps SA, Biel/Bienne	Communication	CHF 6.00	100%
CK Watch & Jewelry Co., Ltd., Biel/Bienne	Watches	CHF 5.00	90%
Comadur SA, Le Locle	Products in hard materials	CHF 7.86	100%
Compagnie des Montres Longines, Francillon S.A., Saint-Imier	Watches	CHF 10.00	100%
Dernier Batz SA, Neuchâtel	Real estate	CHF 10.00	100%
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100%
Distico SA, Biel/Bienne	Distribution	CHF 3.00	100%
Dress your body AG, Corcelles-Cormondrèche	Jewelry	CHF 0.10	100%
EM Microelectronic-Marin SA, La Tène	Microelectronics	CHF 25.00	100%
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF 6.20	100%
Evaco AG, Möhlin	Watches	CHF 0.50	58%
Hamilton International AG, Biel/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 S.A., 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 S.A., Le Locle	Watch components and thin wires	CHF 4.00	100%
Novi SA, Les Genevez	Assembly	CHF 0.14	100%
Omega SA, Biel/Bienne	Watches	CHF 50.00	100%
Rado Uhren AG, Lengnau BE	Watches	CHF 2.00	100%
Record Watch Co. SA, Saint-Imier	Administration	CHF 0.10	100%
Renata AG, Itingen	Miniature batteries	CHF 0.50	100%
Rubattel et Weyerermann S.A., La Chaux-de-Fonds	Watch dials	CHF 0.15	100%
Simon et Membrez S.A., Delémont	Watch cases	CHF 0.10	100%
SSIH Management Services AG, Biel/Bienne	Services	CHF 0.05	100%
Swatch AG, Biel/Bienne	Watches	CHF 2.00	100%
Swatch Retail AG, Biel/Bienne	Retail	CHF 2.00	100%
Swiss Timing LTD, Corgémont	Sports timing technology & equipment	CHF 2.00	100%
Technocorp Holding S.A., Le Locle	Holding	CHF 6.00	100%
Termiboîtes S.A., Basse-Allaine	Watch case polishing	CHF 0.10	100%
The Swatch Group Assembly SA, Mendrisio	Assembly	CHF 6.00	100%
The Swatch Group Europa AG, Biel/Bienne	Distribution	CHF 29.65	100%
The Swatch Group Export SA, Neuchâtel	Distribution	CHF 1.00	100%
The Swatch Group Far East Distribution Ltd, Biel/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 AG, Biel/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 AG, Biel/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 S.A., La Chaux-de-Fonds	Watch hands	CHF 0.67	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CONSOLIDATION AND GROUP STRUCTURE**

Company name, Registered offices	Field of Activity		Capital in millions	Group participation
<b>Belgium</b>				
The Swatch Group (Belgium) SA/NV, 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/Sa., 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/Sa., Glashütte	Watches	EUR	0.10	100%
<b>France</b>				
BREGUET SAS, Paris	Administration	EUR	0.04	100%
FABRIQUE DE FOURNITURE DE BONNETAGE-F.F.B.-SAS, Villers-le-Lac	Precision parts	EUR	4.56	100%
Frésard Composants SAS, Charquemont	Precision parts	EUR	1.80	100%
Harry Winston SAS, Paris	Retail	EUR	10.09	100%
HOOR 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) S.A., Athens	Distribution	EUR	0.32	100%
<b>Great Britain</b>				
Harry Winston (UK) Limited, London	Retail	GBP	0.00	100%
The Swatch Group (UK) Limited, 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 Financial Services (Luxembourg) S.A., Alzingen	Finance company	EUR	5.00	100%
The Swatch Group RE (Luxembourg) S.A., Alzingen	Reinsurance	EUR	1.80	100%
The Swatch Group SICAF-SIF, Alzingen	Finance company	CHF	463.41	100%
<b>Monaco</b>				
The Swatch Group (Monaco) Les Boutiques S.A.M.	Distribution	EUR	2.00	100%
<b>Netherlands</b>				
The Swatch Group (Netherlands) B.V., Eindhoven	Distribution	EUR	3.45	100%
<b>Austria</b>				
The Swatch Group (Österreich) GmbH, Wien	Distribution	EUR	0.04	100%
<b>Poland</b>				
The Swatch Group (Polska) Sp.z o.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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CONSOLIDATION AND GROUP STRUCTURE**

Company name, Registered offices	Field of Activity		Capital in millions	Group participation
<b>ASIA</b>				
<b>Bahrain</b>				
Hour Choice W.L.L., Manama	Retail	BHD	0.02	58%
<b>Greater China</b>				
Harry Winston Commercial (China) Co. Ltd., Beijing	Retail	CNY	78.96	100%
Harry Winston (Hong Kong) Limited, Hong Kong SAR	Retail	HKD	0.01	100%
Lanco Watches Limited, Hong Kong SAR	Administration	USD	0.95	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 Ruijing Retail Co., Ltd., Shanghai	Retail	CNY	20.25	100%
Shanghai Ruiwan 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) Limited, Hong Kong SAR	Distribution	HKD	5.00	100%
<b>India</b>				
Swatch Group (India) Private Limited, New Delhi	Distribution	INR	5 368.89	100%
Swatch Group (India) Retail Private Limited, 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 K.K., 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 Enterprises W.L.L., Doha	Retail	QAR	0.20	29%
Rivoli Watches W.L.L., Doha	Retail	QAR	0.40	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 LLC, Muscat	Retail	OMR	0.30	58%
<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) Company Limited, Samut Prakan	Assembly electronic components	THB	504.50	100%
The Swatch Group Trading (Thailand) Limited, Bangkok	Distribution	THB	600.00	100%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
**CONSOLIDATION AND GROUP STRUCTURE**

Company name, Registered offices	Field of Activity	Capital in millions	Group participation
<b>United Arab Emirates</b>			
Al Khaleej Watches LLC, Abu Dhabi	Retail	AED 0.15	58%
Blue Sky Trading Company LLC, Abu Dhabi	Retail	AED 0.30	58%
Excel Enterprises LLC, Dubai	Retail	AED 1.70	58%
Golden Watch Company LLC, Abu Dhabi	Retail	AED 0.50	58%
Hour Choice LLC, Dubai	Retail	AED 3.00	58%
Rivoli Arcade LLC, Dubai	Retail	AED 0.30	58%
Rivoli Enterprises LLC, Dubai	Retail	AED 3.00	58%
RIVOLI GROUP LLC, Dubai	Retail	AED 24.02	58%
Rivoli Investments LLC, Dubai	Holding	AED 0.30	58%
Rivoli Textiles LLC, Dubai	Retail	AED 0.30	58%
Swatch Group Retail Middle East LLC, Dubai	Retail	AED 0.30	100%
Vision 2000 LLC, Dubai	Retail	AED 1.00	58%
<b>AMERICA</b>			
<b>Brazil</b>			
SGB Importação e Varejo de Artigos de Luxo Ltda, São Paulo	Retail	BRL 82.50	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 Joyería S.A. de C.V., Mexico	Services	MXN 1.50	100%
The Swatch Group Mexico S.A. de C.V., Mexico DF	Distribution	MXN 200.00	100%
<b>Panama</b>			
The Swatch Group Panama S.A., 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 0.00	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) Limited, Sandton	Distribution	ZAR 225.00	100%

**b. Equity method**

Company name, Registered offices	Field of Activity	Capital in millions	Group participation
<b>EUROPE</b>			
<b>Switzerland</b>			
Danyack S.A., La Chaux-de-Fonds	Real estate	CHF 0.06	29%
S.I. Les Corbes SA, Val-de-Ruz	Real estate	CHF 0.10	34%
<b>ASIA</b>			
<b>Greater China</b>			
Beijing Xinyu Hengrui Watch & Clock Co., Ltd., Beijing	Real estate	CNY 40.00	50%
Hengdeli Holdings Limited, Hong Kong	Retail	CNY 22.94	9%
<b>Saudi Arabia</b>			
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33%
<b>United Arab Emirates</b>			
Marcolin Middle East FZCO, Dubai	Distribution	AED 0.10	29%
New Horizons General Trading LLC, Dubai	Retail	AED 0.30	29%

# 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 income statement for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of cash flows and the 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 208) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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 101 Group companies in 30 countries. These 101 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



# Report of the statutory Auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

## 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
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<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.
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We agreed with the Board of Directors 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.

## 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 2019 consolidated financial statements, we participated in the audit closing meetings of three 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 China, Germany and the United Kingdom.

## 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.



# Report of the statutory Auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

## Valuation of inventories

### Key audit matter

We consider the valuation of inventories to be a key audit matter because they amounted to CHF 6,852 million on the balance sheet as at 31 December 2019 and they represent a significant share of total assets (about 50%).

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 178 (Basis of preparation, c. Accounting estimates and judgments) and page 182 (Notes to the consolidated financial statements, Note 7 Inventories) in the 2019 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.

We consider Management's approach to value inventories and assess write-downs as reasonable.

## 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## 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, 26 February 2020



## FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD

**FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD**

Income statement

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Proposed appropriation of available earnings

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## INCOME STATEMENT OF THE SWATCH GROUP LTD

	Notes	2019 CHF million	2018 CHF million
Income from investments in subsidiaries	(1)	969	1 064
Other income		5	6
Personnel expense		-45	-46
Other expenses		-17	-19
Depreciation and impairment	(2)	-20	-19
Financial expenses	(3)	-36	-43
Financial income	(4)	59	57
<b>Ordinary result</b>		<b>915</b>	1 000
Non-operating result		0	0
Extraordinary result		0	0
<b>Profit before income taxes</b>		<b>915</b>	1 000
Income taxes		-4	-5
<b>Net income</b>		<b>911</b>	995



## BALANCE SHEET OF THE SWATCH GROUP LTD

Assets	Notes	31.12.2019		31.12.2018	
		CHF million	%	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents		109	1.4	25	0.3
Assets with an observable market price	(5, 8)	74	0.9	81	1.1
Other current receivables					
– from Group companies	(6)	2 707	33.4	3 667	47.2
– from third parties		36	0.5	33	0.4
Prepayments and accrued income		3	0.0	3	0.0
<b>Total current assets</b>		<b>2 929</b>	<b>36.2</b>	3 809	49.0
<b>Non-current assets</b>					
Loans to Group companies	(6)	789	9.7	422	5.4
Investments in subsidiaries and associates	(7)	4 375	54.0	3 530	45.5
Property, plant and equipment		6	0.1	7	0.1
Intangible assets		1	0.0	0	0.0
<b>Total non-current assets</b>		<b>5 171</b>	<b>63.8</b>	3 959	51.0
<b>Total assets</b>		<b>8 100</b>	<b>100.0</b>	7 768	100.0

## BALANCE SHEET OF THE SWATCH GROUP LTD

Equity and liabilities	Notes	31.12.2019		31.12.2018	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(8)	95	1.2	195	2.5
Other current liabilities					
– to Group companies		95	1.2	127	1.6
– to third parties		4	0.0	15	0.2
Accrued expenses		15	0.2	15	0.2
<b>Non-current liabilities</b>					
Non-current provisions		90	1.1	90	1.2
<b>Total liabilities</b>		<b>299</b>	<b>3.7</b>	442	5.7
<b>Equity</b>					
Share capital		118	1.5	125	1.6
Statutory capital reserve		148	1.8	136	1.8
Statutory reserve		10	0.1	10	0.1
Reserve for treasury shares		0	0.0	0	0.0
Voluntary reserve		6 759	83.4	7 263	93.5
– Profit brought forward		50		48	
– Net income for the year		911		995	
Available earnings		961	11.9	1 043	13.4
Treasury shares		-195	-2.4	-1 251	-16.1
<b>Total equity</b>	(9)	<b>7 801</b>	<b>96.3</b>	7 326	94.3
<b>Total equity and liabilities</b>		<b>8 100</b>	<b>100.0</b>	7 768	100.0

## 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****1. Income from investments in subsidiaries**

(CHF million)	2019	2018
Dividends	909	1 004
Other income from investments in subsidiaries	60	60
<b>Total</b>	<b>969</b>	<b>1 064</b>

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies.

**2. Depreciation and impairment**

Depreciation and impairment is calculated on receivables, property, plant and equipment, intangible assets, loans and investments in subsidiaries and associates. In the year under review, this amounted to CHF 20 million (previous year: CHF 19 million).

**3. Financial expenses**

(CHF million)	2019	2018
Interest expense	-7	-4
Result from marketable securities at fair value	0	-12
Net currency result	-27	-25
Other financial expense	-2	-2
<b>Total</b>	<b>-36</b>	<b>-43</b>

## NOTES TO THE FINANCIAL STATEMENTS

**4. Financial income**

(CHF million)	2019	2018
Interest income	42	48
Income and gains on securities	17	9
<b>Total</b>	<b>59</b>	<b>57</b>

**5. Assets with an observable market price**

(CHF million)	31.12.2019	31.12.2018
Marketable securities	42	66
Precious metals	24	8
Derivative financial instruments (see Note 8)	8	7
<b>Total</b>	<b>74</b>	<b>81</b>

**6. 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.

**7. Investments in subsidiaries and associates**

The list of 152 legal entities, including minority investments, held directly or indirectly by The Swatch Group Ltd and consolidated at Swatch Group level, is published in Note 35 of the consolidated financial statements in this report.

Investments in subsidiaries amounted to CHF 4 375 million or 54.0% of total assets at the end of the year under review (previous year: CHF 3 530 million or 45.5% of total assets).

**8. Financial debts and derivative financial instruments**

At the end of the year under review, short term bank loans and current account overdrafts of CHF 91 million were open (previous year: CHF 191 million).

At the end of the year under review, as in the previous year, there was no option contract outstanding. The table below gives an overview of the contract values and fair values of open forward contracts.

(CHF million)	31.12.2019			31.12.2018		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
<b>Forward contracts</b>						
- Third parties	989	6	0	1 672	5	-1
- Group	345	2	-4	403	2	-3
<b>Total</b>	<b>1 334</b>	<b>8</b>	<b>-4</b>	<b>2 075</b>	<b>7</b>	<b>-4</b>

Derivative financial instruments are recognized at fair value. Forward contracts outstanding at the end of the year under review served to hedge operations relating to exchange rate risk and market volatility. Intragroup contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intragroup financial transactions.



## NOTES TO THE FINANCIAL STATEMENTS

**9. Equity**

Compared to the end of the previous year, equity increased by CHF 475 million to CHF 7 801 million in the year under review. At the end of the year under review, the equity ratio amounted to 96.3% of total assets (previous year: 94.3%).

The table below shows the changes in equity:

(CHF million)	Share capital	Statutory capital reserve	Statutory reserve	Reserve for treasury shares	Voluntary reserve	Available earnings	Treasury shares	Total equity
<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		0
Dividend paid out						-394		-394
Change in treasury shares		14					-388	-374
Creation / dissolution				-1				-1
Net income						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>
Allocated in 2019					580	-580		0
Dividend paid out						-413		-413
Capital reduction (cancellation of treasury shares)	-7				-1 084		1 091	0
Change in treasury shares		12					-35	-23
Net income						911		911
<b>Balance at 31.12.2019</b>	<b>118</b>	<b>148</b>	<b>10</b>	<b>0</b>	<b>6 759</b>	<b>961</b>	<b>-195</b>	<b>7 801</b>

**Share capital**

In accordance with the resolution passed at the Annual General Meeting on 23 May 2019, all repurchased shares from the 2016-2019 program, as well as the remaining bearer shares from the 2008 program, were cancelled. As a result, the share capital of The Swatch Group Ltd changed as follows:

Balance sheet date	Registered shares at CHF 0.45	Bearer shares at CHF 2.25	Share capital in CHF
31.12.2018	124 045 000	30 840 000	125 210 250.00
Cancelled shares	-7 125 500	-1 904 000	-7 490 475.00
<b>31.12.2019</b>	<b>116 919 500</b>	<b>28 936 000</b>	<b>117 719 775.00</b>

**Principal shareholders at 31 December 2019**

At the end of the year under review, the Hayek Pool, its related companies, institutions and individuals held 61 721 546 registered shares and 12 855 bearer shares, equivalent to 42.3% of all voting rights (previous year: 39.8%). 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	-

## NOTES TO THE FINANCIAL STATEMENTS

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name / Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	-
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o 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 41.8% of all voting rights at end of the year under review (previous year: 39.3%).

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 580 million was appropriated from available earnings at 31 December 2018 (previous year: CHF 450 million). In the context of the capital reduction 2019 an amount of CHF 1 084 million was charged to the voluntary reserve. The amount is the difference between the historical acquisition value of the cancelled shares (CHF 1 091 million) and their nominal value (CHF 7 million).

**Reserve for treasury shares**

At the end of the year under review, there was no reserve for treasury shares. No shares of The Swatch Group Ltd were held by Group subsidiaries (previous year: none).

**Available earnings**

In compliance with the resolution approved at the Annual General Meeting of 23 May 2019, a dividend of CHF 1.60 per registered share and of CHF 8.00 per bearer share was appropriated from available earnings as at 31 December 2018. The total dividend amount paid to shareholders in the year under review came to CHF 198 million on the registered shares and CHF 247 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 32 million, thus remains as an integral part of equity at the end of the year under review. Finally, CHF 580 million was appropriated from available earnings at 31 December 2018 and allocated to the voluntary reserve.

**Treasury shares / Share buyback program**

In the context of the share buyback program 2016-2019, treasury shares with a market value of CHF 35 million were repurchased in the year under review. The program concluded on 24 January 2019 with a total volume of CHF 959 million. The repurchased shares were cancelled in the form of a capital reduction.

Treasury shares held by The Swatch Group Ltd at the end of the year under review corresponded to 1.3% (previous year: 7.1%) 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.

## NOTES TO THE FINANCIAL STATEMENTS

The number of treasury shares held directly or indirectly by The Swatch Group Ltd changed as follows:

Shares held by The Swatch Group Ltd	Registered shares 1)		Bearer shares	
	2019	2018	2019	2018
<b>Balance at 1 January</b>	<b>10 201 597</b>	7 755 219	<b>1 912 550</b>	1 389 650
Acquisitions 2)	314 433	2 656 248	56 450	522 900
Disposals 3)	-212 114	-209 870	0	0
Cancellations 4)	-7 125 500	0	-1 904 000	0
<b>Balance at 31 December</b>	<b>3 178 416</b>	10 201 597	<b>65 000</b>	1 912 550
<b>Other consolidated companies</b>	<b>2019</b>	2018	<b>2019</b>	2018
<b>Balance at 1 January</b>	<b>0</b>	11 196	<b>0</b>	0
Acquisitions	0	0	0	0
Disposals 5)	0	-11 196	0	0
<b>Balance at 31 December</b>	<b>0</b>	0	<b>0</b>	0
<b>Total balance at 31 December</b>	<b>3 178 416</b>	10 201 597	<b>65 000</b>	1 912 550

1) Of which, at the end of the year under review, a total of 2 742 335 registered shares were reserved for the employee stock option plan (previous year: 2 954 449 shares).

2) In the year under review, The Swatch Group Ltd acquired 314 433 registered shares at an average price of CHF 58.55. In addition, 56 450 bearer shares at an average price of CHF 295.67 were acquired. In the previous year, 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.

3) All disposals of registered shares in the year under review and the previous year relate to the employee stock option plan (see Note 13 of the consolidated financial statements for details). In the year under review and the previous year, no bearer shares were sold.

4) In accordance with the resolution passed at the Annual General Meeting on 23 May 2019, all repurchased shares from the 2016-2019 program, as well as the remaining bearer shares from the 2008 program, were cancelled.

5) In the previous year, in connection with the acquisition of the remaining minority interest in ASI Centrum spol. s.r.o., 8 748 registered shares were granted to the former shareholders. Details of the transaction are disclosed in Note 31 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: 143).

### 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 were 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 employee stock option plan are disclosed in Note 13 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.

In the year under review, 4 600 registered shares and options valued at CHF 0.2 million (previous year: 6 105 registered shares and options valued at CHF 0.5 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		Bearer shares		Options	
		2019	2018	2019	2018	2019	2018
Community of heirs N. G. Hayek represented by Marianne Hayek		55 698 304	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	188 208	168 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Prof. Dr. h.c. Claude Niccolier	BoD Member	100	100				
Dr. Jean-Pierre Roth	BoD Member			10	10		
Daniela Aeschlimann	BoD Member						
Georges Nicolas Hayek	BoD Member / CEO	152 691	129 891			24 000	24 000
Pierre-André Bühler	MB Member	19 466	30 966			8 002	8 002
Dr. Mougahed Darwish	MB Member	85 068	82 468	40		2 602	2 602
Marc A. Hayek	MB Member	155 898	143 398	140		12 502	12 502
Dr. Thierry Kenel	MB Member / CFO	80 253	70 919			10 001	9 335
Florence Ollivier-Lamarque	MB Member	71 166	59 500			3 334	12 000
Dr. Peter Steiger 1)	MB Member	110 999	101 333			10 001	9 667
François Thiébaud	MB Member	146 948	133 848			13 102	13 702
Lionel A Marca 2)	EMB Member	905				477	
Raynald Aeschlimann	EMB Member	26 867	23 867			7 001	6 001
Matthias Breschan	EMB Member	1 034	2 034			3 000	3 000
Jean-Claude Eggen 3)	EMB Member		4 816				2 501
Daniel Everts 2)	EMB Member	1 100				600	
Yann Gamard	EMB Member	3 500	2 500			5 501	5 501
Hans-Rudolf Gottier	EMB Member	32 700	31 700			5 002	5 002
Roger Juillet 2)	EMB Member	1 936				1 134	
Walter von Känel	EMB Member	55 500	49 500	40	40	6 000	6 000
Mireille Koenig 2)	EMB Member	2 132				600	
Calogero Polizzi	EMB Member	6 000	4 000			2 500	1 500
Kevin Rollenhagen	EMB Member	79 815	72 148			7 335	8 002
<b>Total</b>		<b>56 920 590</b>	56 815 340	<b>2 780</b>	2 600	<b>142 696</b>	149 319

1) Member of the MB since August 2019 (before EMB) 2) Member of the EMB since August 2019 3) Member of the EMB until January 2019

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 29 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 26 February 2020 and will be submitted to the Annual General Meeting of Shareholders for approval on 14 May 2020. 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:

(CHF million)	2019	2018
Net income	911	995
Profit brought forward	50	48
<b>Available earnings</b>	<b>961</b>	1 043
Allocation to voluntary reserve	-530	-580
<b>Payment of a 2018 dividend, i.e.:</b>		
- CHF 1.60 per registered share with a par value of CHF 0.45		-198
- CHF 8.00 per bearer share with a par value of CHF 2.25		-247
<b>Payment of a 2019 dividend, i.e.: 1)</b>		
- CHF 1.60 per registered share with a par value of CHF 0.45	-187	
- CHF 8.00 per bearer share with a par value of CHF 2.25	-231	
Dividends not paid out on own shares held by the Group 2)		32
<b>Balance carried forward</b>	<b>13</b>	50

1) It is planned not to pay dividends on treasury shares held by the Group.

2) Based on the decision of the Annual General Meeting of 23 May 2019, 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 income statement for the year ended 31 December 2019, the balance sheet as at 31 December 2019 and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 215 to 223 and pages 205 to 208) as at 31 December 2019 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

# Report of the Statutory Auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

## 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>	0.45% 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 0.45% 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.

## 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.



# Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

## Valuation of investments in subsidiaries and associates

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 December 2019, investments in subsidiaries and associates of The Swatch Group Ltd amounted to CHF 4,375 million (about 54% 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, manufactures, 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.</p> <p>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.</p> <p>Please refer to page 218 (Valuation principles) and page 218 and 219 (Details to specific items, note 2 Depreciation and Impairment and note 7 Investments in subsidiaries and associates) of the 2019 Annual Report.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>- We checked the grouping of the investments based on their similarity and their vertical integration in the Swatch Group.</li> <li>- We tested the valuation of each investment or group of investments based on its equity and results for the year.</li> </ul> <p>We consider Management's approach to group and value the investments as an acceptable and reasonable basis for the valuation of the investments.</p>

## 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.





# 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 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, 26 February 2020



## THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding / Average share capital	2019 basic	2018 basic	2017 basic	2016 basic	2015 basic
Number of registered shares of CHF 0.45	113 428 394	115 449 571	116 755 450	118 672 611	119 847 161
Number of bearer shares of CHF 2.25	28 814 317	29 268 442	29 567 412	29 987 419	30 308 846
<b>Total average number of shares outstanding</b>	<b>142 242 711</b>	144 718 013	146 322 862	148 660 030	150 156 007
Share capital registered shares in CHF	51 042 777	51 952 307	52 539 953	53 402 675	53 931 222
Share capital bearer shares in CHF	64 832 213	65 853 995	66 526 677	67 471 693	68 194 904
<b>Total average share capital in CHF</b>	<b>115 874 991</b>	117 806 302	119 066 630	120 874 368	122 126 126

Key data per registered share (nom. CHF 0.45) in CHF	2019	2018	2017	2016	2015
Consolidated net income attributable to shareholders	2.84	3.23	2.77	2.14	4.01
Cash flow from operating activities 1)	4.75	3.60	4.78	3.76	5.17
Consolidated equity 1)	44.63	43.07	42.67	41.22	41.42
Dividend 2)	1.60	1.60	1.50	1.35	1.50

Key data per bearer share (nom. CHF 2.25) in CHF	2019	2018	2017	2016	2015
Consolidated net income attributable to shareholders	14.18	16.14	13.86	10.69	20.07
Cash flow from operating activities 1)	23.76	18.01	23.89	18.80	25.87
Consolidated equity 1)	223.17	215.33	213.33	206.12	207.12
Dividend 2)	8.00	8.00	7.50	6.75	7.50

Stock price (adjusted) in CHF	2019	2018	2017	2016	2015
Registered shares high	62.60	91.30	80.95	74.00	88.90
Registered shares low	46.62	54.05	60.60	48.25	61.25
Registered shares at year-end	51.15	56.80	74.50	62.25	68.00
Bearer shares high	322.00	499.10	414.60	373.00	462.50
Bearer shares low	247.70	275.60	307.50	246.20	324.10
Bearer shares at year-end	270.00	286.70	397.40	316.70	350.20

Key ratios (year-end)	2019	2018	2017	2016	2015
Average return on equity 3)	6.6%	7.7%	6.8%	5.3%	10.2%
Dividend yield registered shares 4)	3.1%	2.8%	2.0%	2.2%	2.2%
Dividend yield bearer shares 4)	3.0%	2.8%	1.9%	2.1%	2.1%
Price/earnings ratio – registered shares 5)	18.0	17.6	26.9	29.1	17.0
Price/earnings ratio – bearer shares 5)	19.0	17.8	28.7	29.6	17.4
Market capitalization in CHF million	13 793	15 887	21 497	17 489	19 235

1) Calculation based on average share capital per share category respectively average number of shares outstanding

2) For the year under review: Board of Directors' proposal

3) Net income as a percentage of average equity (previous year plus year under review, divided by two)

4) Dividend as a percentage of share price at year-end

5) Stock price at year-end divided by consolidated net income attributable to shareholders

Securities	ISIN-Number	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.



COMPENSATION

REPORT





**COMPENSATION REPORT****Compensation Committee****Compensation system****Additional contractual elements****Compensation for the members of the Board of Directors and Group Management Board (KL/EKL)****232****233****234****236****237**

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 Regulation AG.

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 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 Annual General Meeting for approving compensation. The Compensation Committee may submit proposals and recommendations to the Board of Directors in all matters pertaining to compensation.

According to the 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 Annual 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 entities 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 and the 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.

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.

## COMPENSATION REPORT

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 (sales, operating income, etc.) will foreseeably be achieved; if not, a payment of 50% will be made.

The assessment criteria that apply are, among other things: sales development, development of operating income, 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 grant date. The day value corresponds to the share price on the grant date less the exercise price.

The following values were in force for the year under review and the previous year:

		2019	2018
Grant date		31.05.2019	31.05.2018
Share price on grant date	CHF	48.36	87.55
Exercise price	CHF	4.00	4.00
Day value on grant date	CHF	44.36	83.55

### 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 853 000.

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)

This part of the report is subject to audit by PricewaterhouseCoopers AG.

#### a. Board of Directors (BoD)

2019	Name	Function	Compensation for functions in the BoD 1) (CHF)	Compensation for executive functions			Total 6) (CHF)
				Base compensation 2) (CHF)	Bonus 3) (CHF)	Share options 4) (CHF)	
	Nayla Hayek	Chairwoman	230 448	1 002 108	1 500 000	887 200	3 965 326
	Ernst Tanner	Vice-Chairman	166 225				175 833
	Daniela Aeschlimann	Member	158 086				169 811
	Georges Nicolas Hayek 7)	Member	157 158				167 620
	Prof. Dr. h.c. Claude Nicollier	Member	155 675				164 446
	Dr. Jean-Pierre Roth	Member	155 675				164 446
	<b>Total</b>		<b>1 023 267</b>	<b>1 002 108</b>	<b>1 500 000</b>	<b>887 200</b>	<b>4 807 482</b>

2018	Name	Function	Compensation for functions in the BoD 1) (CHF)	Compensation for executive functions			Total 6) (CHF)
				Base compensation 2) (CHF)	Bonus 3) (CHF)	Share options 4) (CHF)	
	Nayla Hayek	Chairwoman	230 264	1 002 108	1 400 000	1 671 000	4 650 390
	Ernst Tanner	Vice-Chairman	166 115				175 690
	Daniela Aeschlimann	Member	157 966				169 643
	Georges Nicolas Hayek 7)	Member	157 152				167 992
	Prof. Dr. h.c. Claude Nicollier	Member	155 575				164 304
	Dr. Jean-Pierre Roth	Member	155 575				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>5 492 323</b>

1) 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.

2) Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred.

3) Bonus payments allocated on a cash or accrual basis.

4) 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.

5) Other compensation includes pension benefits in the amount of CHF 65 592 (previous year: CHF 65 064). The remaining social benefits (employer's contributions) amounted to CHF 329 315 (previous year: CHF 331 504). No long-term service awards were paid out either in the year under review or the previous year.

6) All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

7) The compensation for the executive functions is set forth in paragraph b. of this chapter.

**b. Executive Group Management Board (KL) and Extended Group Management Board (EKL)**

2019	Base com- pensation 1)	Bonus 2)	Share options 3)	Share options 3)	Other com- pensation 4)	Total 5)
	(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Georges Nicolas Hayek (MB President / CEO)	1 502 105	3 120 000	24 000	1 064 640	561 754	6 248 499
Total other members	4 845 689	10 828 775	97 100	4 307 356	2 165 392	22 147 212
<b>Total</b>	<b>6 347 794</b>	<b>13 948 775</b>	<b>121 100</b>	<b>5 371 996</b>	<b>2 727 146</b>	<b>28 395 711</b>

The calculation basis for share options is the day value at grant date (see Section 2.3.4). In the year under review, this corresponded to a value of CHF 44.36 per option (previous year: CHF 83.55 per option). The valuation of the share options at prior-year value would result in a total value of CHF 10 117 905 (-9.0%).

2018	Base com- pensation 1)	Bonus 2)	Share options 3)	Share options 3)	Other com- pensation 4)	Total 5)
	(CHF)	(CHF)	(number)	(CHF)	(CHF)	(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>

1) 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.

2) Variable bonus payments allocated on a cash or accrual basis.

3) The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4.

4) Other compensation includes pension benefits in the amount of CHF 507 081 (previous year: CHF 1 142 181). The remaining social benefits (employer's contributions) amounted to CHF 2 158 586 for the year under review (previous year: CHF 3 631 597). Other compensation also includes further benefits and long-term service awards in the amount of CHF 61 479 (previous year: CHF 34 432).

5) 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: none).

**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 26 February 2020 of The Swatch Group Ltd for the year ended 31 December 2019.

**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 2019 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, 26 February 2020











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**SWATCH GROUP**

*Mido*



ck  
Calvin Klein

Hamilton



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