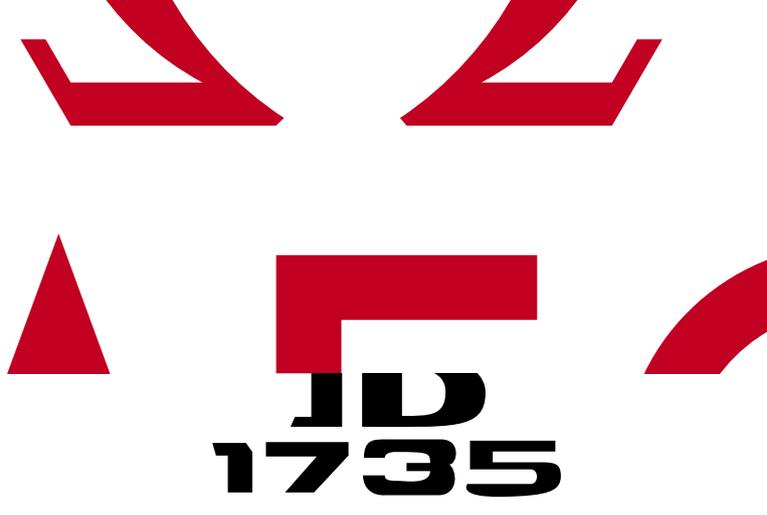


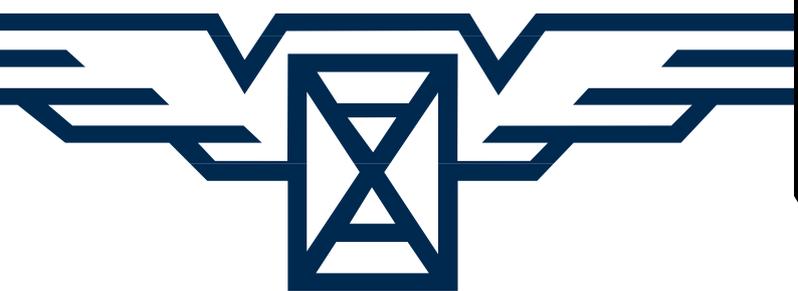
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Warning!
This publication is not recommended
for the acrobats and jugglers in today's
financial circus.





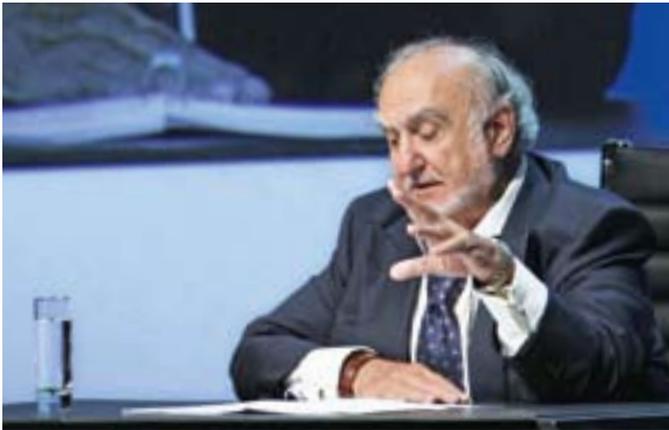


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Message from the Chairman

Dear co-shareholders, Ladies and Gentlemen,



The Annual Report that we are presenting to you today announces a new record in Swatch Group sales for the year 2008. This increase may appear a modest one at first sight. However it in fact represents substantial growth if you consider the CHF 233 million

of losses arising from exchange rates, compared with what these rates were in 2007. To this should be added the loss of turnover due to the sale of two production companies of automobile parts, Michel Präzisionstechnik and Sokymat Automotive. These sales were decided by the Swatch Group in 2007, as these companies were not part of our core area of business.

This year of 2008 has been one full of contradictions and events, some of them milestones, certain extremely negative and others positive. The year started with a fantastic increase in customer demand for watches of brands from our group, both for those of High Prestige, and for those of the lower price range, particularly those of Swatch itself. Our production factories were insufficient to meet the demands that came as much from customers of finished watches from around the world as from our customers of the Swiss watchmaking industry, dependant for their watches on our deliveries of finished movements, as well as diverse other components and products.

2008 therefore had started most auspiciously and in a sunny climate. Swatch blew out its 25 candles at a magnificent event where again the sun and good humor reigned. On the horizon we could already see some dark clouds forming but they still seemed a long way off and above all very localized. However these clouds became more distinct and the financial economic sky of America suddenly darkened. Little by little these clouds formed into a veritable hurricane approaching with frightening speed, a gigantic roll of thunder whose mighty bolt struck, also touching our major banks, in particular UBS and Credit Suisse. The populations and governments of the whole world were affected with a brutal and massive impact unimaginable before this disaster.

Fortunes worth billions and billions of Swiss francs were destroyed ... like a house of cards, the arrogant financial strongholds of some all-powerful dominating banks and other investment funds and *Hedge Funds* collapsed one after another in front of an incredulous traumatized world ... a world that sat and watched the enormous waves that started to roll-over them like a violent financial tsunami. Everyone asked themselves whether it was a bad horror movie or reality.

The reality is indeed a sad one... it is that of the dominating financial economy of the stock exchanges, banks, investment funds, “structured” products and important industries, often managed by grasping, greedy, selfish and sometimes dishonest individuals, whose sole driving force is money at any price and whose mentality is the criminal one of “look after number one” and “let the devil

take the hindmost”, without any sense of responsibility towards their communities. This reality forced almost every government in the world to rush to stop the rising tide of disaster which threatened totally to destroy all the financial systems and the flow of monetary liquidity worldwide.

The consumer, believing himself untouched, suddenly noticed not only the enormous losses of the stock exchange, even for shares in sound industrial companies, but also the loss, or danger of loss, of his own savings and above all savings in pension funds; reading every day in the press the ever more pessimistic comments, for example the incredible story of Madoff, the former moralizing head of the NASDAQ, the hypocritical governor of the stock exchanges, in particular those of the Anglo-Saxon world. Because of this, the consumer starts to be more prudent in his major expenditure, for example the purchase of a car. The banks themselves having lost extraordinary sums, amounting to billions and tens of billions of dollars and Swiss francs, therefore lose confidence in the other financial institutions and refuse to grant credit to anyone; this includes the watch industry, where the wholesalers and the boutique owners selling watches and jewelry need to have a certain liquidity during the months of September and October so as to be able to order the necessary products for their end of year sales, which alone represent between 35 and 45% of their yearly turnover. All these factors brought together resulted, as of the months of November and December, in a perceptible fall in sales, leading not only to an abrupt halt in growth but also a decrease in turnover compared with the same two months in 2007.

In spite of all of this, the directors at the Swatch Group managed to weather this gigantic and monstrous storm with wisdom and courage. Our product strategy also helped. We decided for example, at the end of 2006 / beginning of 2007, to concentrate still further on our core products, that is watches, jewelry and diverse accessories. Thus we wanted to sell-off the industrial sub-contracting entities, in the form of several producers of automobile parts, and realized this sale in 2008.

With our own boutiques having increased in number and size, we were able to absorb a substantial part of the drop in sales of the last months of the year. The end customer in our own boutiques did not reduce his purchases and, in the majority of countries, even increased them. This acted as a striking endorsement of our distribution strategy of the last few years. Important new products of our brands also completed our defense mechanism against the loss of turnover occasioned by the financial system.

The list of bad surprises was also extended by the losses through foreign exchange rates compared with those same exchange rates in 2007, amounting to CHF 233 million in 2008 on a turnover which otherwise would have risen to CHF 6.2 billion. In spite of this, the total growth between 2007 and 2008 is significant and our operational results, with CHF 1.2 billion (that is -2.7% compared to 2007), are therefore substantial.

However, our final profit, after taxes and interest is CHF 838 million (that is -17.4% compared to 2007). This difference of CHF 177 million, together with the additional loss on foreign exchange of CHF 35 million, comes from the fall in the stock exchange value of some of the investments made by our Finance Department; a fall or loss not realized but which legally should figure in the accounts at the end of 2008. Already in February 2009 these accountancy losses have diminished compared with the same period last year. We are very confident that these investments will bring us profits in the future. It is for this reason that we have not opted for the new accountancy rules, which would have enabled us, from October 2008 onwards, not to account for these amounts in total, which means that our total profit would have been CHF 880 million, that is CHF 42 million more than the published net income (or a fall of -13.3% compared to 2007).

Given this very positive operational performance and the solid balance sheet of the Group, as well as our confidence in the improvement of the markets during 2009, the Board of Directors decided to propose to the General Meeting to maintain the dividend at the same level as in the previous year, that is CHF 4.25 per bearer share and CHF 0.85 per registered share.

A number of important investments were undertaken during 2008, in particular:

- Montres Breguet: patronage for the restoration of the Petit Trianon of Marie-Antoinette's Estate in Versailles.
- Glashütte Original: The Glashütte Museum in Germany.
- Nivarox-FAR: the start of construction work for an additional factory with numerous new technical installations in Fontaines (Neuchâtel).
- EM Microelectronic: increase in the production area and restoration of the buildings in Marin (Neuchâtel).
- EM Microelectronic: continuation of the construction program of a new production line for 8 inch wafers and the start of production in Marin (Neuchâtel).
- Favre et Perret: a new factory for our producer of luxury watch cases in precious metals (in its completion stage) at Le Crêt-du-Loche (Neuchâtel).
- Tiffany & Co: new product development and the purchase of a building and its substantial surrounding grounds in Biel. Purchased from the Town of Biel with ratification by a public vote in 2008 to become definitive at the beginning of 2009.
- Omega: official timekeeper of the Beijing Olympic Games 2008.
- Dress Your Body: inauguration of the beautiful new production site in Cormondrèche (Neuchâtel).
- Swatch Group: the next stage in a vast program of boutique openings in the best locations in cities around the world: Breguet, Blancpain, Omega, Swatch, Jaquet Droz, Léon Hatot, Tourbillon, and Equation du Temps, to name but a few.



Our shares lost 57% of their value during 2008, without any real justification, like many other shares of excellent companies quoted on the stock exchange. I continue to repeat the fact that the value of shares on the stock exchange in no way can be taken as a standard of measurement of the real value of the company. The stock exchange should to this effect operate a change in mentality, not only of its own players but also the owners of the stock exchange itself. This should be done to make of it a positive centre of activity better controlled by the real economy, because this economy, which creates riches and jobs and whose shares are the products bought and sold by these stock exchanges, should have a majority control of the stock exchanges themselves. By associating the banks with the financial economy we can avoid the domination of the economy by the financial institutions as it exists today on the stock exchange, turning our shares and our companies into simple objects of speculation, with little contact with reality. 2009 looks like being for us all a year of fairly tough challenges.

First of all, we must change completely the financial mentalities, greatly influenced in the 20th century and at the beginning of the 21st century by the economy of the financial institutions and stock exchanges, particularly those of the Anglo-Saxon world. We are all in agreement over this subject, including the major players in the United States and in England. But this change, even if it is already under way, is slow in coming. If today we see in the media the discussions, analyses and recommendations concerning the crisis, the journalists are calling upon the same financial players who retain the mentality and arguments that they held five years or even one year ago. It is shocking to note that for them nothing has changed... they repeat what they have learned and what they have already done. Several governments, desirous of calling upon real specialists, commit the error of calling to their aid advisors who have this 20th century and beginning of the 21st century financial mentality... and unfortunately these specialists cannot change their mentality as rapidly as the present situation requires. We must make great efforts here to change these mentalities and these arguments so as to avoid falling later on into the same economic paralysis and obviously reorganize our whole financial and monetary system through new ideas and new mentalities.

In addition, the biggest Swiss bank recently admitted to having incited and assisted US citizens to infringe the tax laws not only of America but also of Switzerland. The Swiss must unanimously and vigorously condemn this attitude as being contrary to their mentality.

We must also stop the fall in sales of the last few months of last year and strengthen the real value of the watchmaking companies which represent and operate as real brands with real products. All the signs that we are receiving today from our markets indicate that sales for the first three to four months of this year, compared to the same months of 2008 (which were in fact extremely strong) will be lower. However, the second part of 2009 will see a regaining in confidence as well as an emergence from this nightmare to finish 2009 slightly up on 2008.

In addition 2009 starts out with a giant new hope of improvement for all nations arising from the change in government of the dominating power of the United States. The new Democrat President is opening up new perspectives for his country and for the whole world which erase in the memories of terrified peoples the nightmare of the last American government. This change will contribute, we hope, to improving the psyche and strengthening the necessary optimism in the Future, thus helping to make 2009 a year of change for the better, an advancement on 2008. That is the excellent news for the end of 2008.

Well, that is all well and good, I hear you say, but where are we going in 2009–2010 and beyond? Forecasts are legion... not only is the number of media in our world considerable but in addition each media hands out, as they did in the past – as do in fact very knowledgeable economists – several contradictory forecasts... so where are we going? We have found ourselves in a tunnel, which is dark and dangerous both for the financial economy and for the rest of the world, for almost the last 22 months and for the Swatch Group for the last four to five months. We should be able to emerge from this tunnel within three, five or seven months, or at the latest nine months.

All our predictions, based upon information from the international markets, confirm a recovery during the second part of the year, with an improvement and increase in sales and profits for the Swatch Group in 2009 compared with 2008.

Moreover, Belenos Clean Power Holding Ltd, the new company created by the Swatch Group and Hayek Engineering, with several other prestigious partners, Switzerland's federal institutes of technology, the Deutsche Bank, Groupe E, and Ammann Group, is developing in a positive way. The mission of this company is to accelerate the development and production of clean energy. Several important projects have already been set in motion.

The directors and management staff of the Swatch Group are vigorously at the helm; they are capable of reacting rapidly; our vessel is a solid one. We have enough fuel and provisions aboard.

I should like to thank, in your name, all our employees, our management staff and our directors for their work and the results achieved, and to wish them in this difficult year much success and an iron constitution.



Nicolas G. Hayek,

Chairman and Delegate of the
Board of Directors of the Swatch Group

March 2009

Operational Organization

as at December 31, 2008

Watches

Prestige and Luxury Range

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

High Range

Longines, Rado, Union Glashütte

Middle Range

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

Basic Range

Swatch, Flik Flak

Private Label

Endura

Retailing

Tourbillon, Tech Airport

Production

Watches

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

Jewelry

Dress Your Body (DYB)

Electronic Systems

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

Corporate

Swatch Group Research and Development (Asulab, CDNP), ICB, Swatch Group Quality Management, Swatch Group Distribution, Swatch Group Corporate Customer Service, Swatch Group Immeubles

Organization and distribution of the Swatch Group in the world

as at December 31, 2008

Swatch Group Subsidiaries

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

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

Board of Directors

as at March 1, 2009



Dr h.c. Nicolas G. Hayek

Meisterschwanden, Chairman and Delegate of the Board of Directors

Company Secretary

Roland Bloch, Biel / Bienne

Auditors

PricewaterhouseCoopers
St. Jakobs-Strasse 25
CH-4052 Basel

Administrative Headquarters

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Tel. +41 32 343 68 11
Fax +41 32 343 69 11
E-mail: info@swatchgroup.com
Internet: www.swatchgroup.com

Registered Offices

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CH-2000 Neuchâtel



Dr Peter Gross
Zollikon, Vice-Chairman



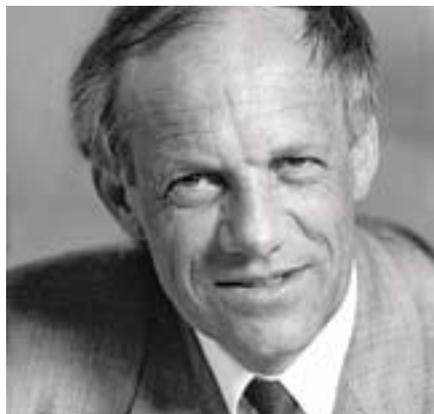
Esther Grether
Bottmingen



Nayla Hayek
Schleinikon



Prof. Dr h.c. Claude Nicollier
La Tour-de-Peilz



Johann Niklaus Schneider-Ammann
Langenthal



Ernst Tanner
Erlenbach

The function descriptions and responsibilities of Board of Directors members by December 31, 2008, are outlined in the Corporate Governance chapter on page 137 of the present Annual Report.

Executive Group **Management** **Board**

as at March 1, 2009



Nick Hayek
President of the Group Management Board



Arlette-Elsa Emch
Léon Hatot, ck watch & jewelry,
Dress Your Body (DYB), Swatch Group Japan,
Swatch Group South Korea



Florence Ollivier-Lamarque
Swatch Group France, Swatch Group France Les
Boutiques, Swatch Group Italy, Swatch Group
Spain, Flik Flak



Dr Mougahed Darwish
EM Microelectronic, Micro Crystal, Renata,
Microcomponents, Oscilloquartz, Lasag



Edgar Geiser
Corporate Finances / Reporting,
Quality Assurance, Investor Relations



Marc A. Hayek
Blancpain, Frédéric Piguet, François Goulay,
Deutsche Zifferblatt Manufaktur, Swatch Group
Middle East, Swatch Group Panama



Dr Hanspeter Rentsch
Legal, licences, strategic projects,
real estate (except Engineering), patents (ICB),
Swatch Group Greece, Swatch Group Poland



Roland Streule
Rado



François Thiébaud
Tissot, Certina, Mido, Union Glashütte,
Swatch Group Brazil, Portugal, Swiss market

Extended Group Management Board

as at March 1, 2009



Matthias Breschan
Hamilton, Swatch Group Mexico



Pierre-André Bühler
ETA Manufacture Horlogère Suisse



Manuel Emch
Jaquet Droz, Swatch Group Russia,
Eastern Europe



Yann Gamard
Swatch Group Germany, Swatch Group
Belgium, Swatch Group Netherlands,
Swatch Group Nordic, Swatch Group UK
(as country manager a.i.)



Walter von Känel
Longines



Thomas Meier
Glashütte Original, Swatch Group Thailand



Kevin Rollenhagen
Swatch Group China, Swatch Group Hong Kong,
Swatch Group Macao, Swatch Group Taiwan,
Swatch Group Australia



Rudolf Semrad
Swatch Group Austria



Dr Peter Steiger
Controlling



Stephen Urquhart
Omega

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2008, are outlined in the Corporate Governance chapter on pages 139 to 142 of the present Annual Report.

Development of the Group

Swatch Group consolidated		2008	2007	2006	2005	2004
Gross sales	CHF million	5 966	5 941	5 050	4 497	4 152
– Change from previous year	%	0.4	17.6	12.3	8.3	4.7
Net sales	CHF million	5 677	5 646	4 820	4 292	3 981
– Change from previous year	%	0.5	17.1	12.3	7.8	4.0
Operating profit	CHF million	1 202	1 236	973	735	645
– As a % of net sales	%	21.2	21.9	20.2	17.1	16.2
Net income	CHF million	838	1 015	830	621	512
– As a % of net sales		14.8	18.0	17.2	14.5	12.9
– Change from previous year		–17.4	22.3	33.7	21.3	4.1
Equity	CHF million	5 451	5 329	4 967	4 603	4 276
– As a % of total assets	%	75.3	71.5	71.9	69.9	71.1
Total assets	CHF million	7 235	7 447	6 904	6 588	6 011
Personnel as at 31.12.	Employees	24 270	23 577	21 268	20 650	20 949
Annual average	Employees	24 269	22 505	20 572	20 730	20 831
Salaries and social benefits	CHF million	1 633	1 595	1 411	1 315	1 283

The Swatch Group Ltd		2008	2007	2006	2005	2004
Dividend income	CHF million	795	609	435	374	291
Net income	CHF million	672	586	444	398	295
Investments	CHF million	2 045	2 030	1 901	1 770	1 738
Share capital	CHF million	125	129	132	135	137
Equity	CHF million	2 084	2 190	2 097	2 043	1 895
– As a % of total assets	%	71.4	68.6	71.5	75.8	71.7
Total assets	CHF million	2 920	3 191	2 934	2 695	2 642
Dividend*)	CHF million	236.5	224.9	192.2	139.8	100.8
– As a % of share capital	%	189.2	174.3	145.6	103.6	73.6

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

In May 2009, proposal by the Board of Directors at the Annual General Meeting.



1735

Big Brands

Watches and Jewelry
Retailing and Landmarks



25 years of Plastic Provocation



swatch[®] 

Trends

Swatch maintained its leadership position in its own segment during 2008 and experienced a growth in sales in all its markets around the world. This result was due to a successful series of product launches, such as the

new Swatch Chrono Plastic and the Swatch 007 Villain Collection, with its provocative marketing concept, as well as investments in renovation and new store openings, thus expanding and improving its worldwide retail network.

In terms of markets, Europe, with its strong growth, maintains its leadership, but Asia and America, with even stronger growth rates, are catching up fast. Investments in renovations of stores and shop-in-shops initiated in 2007 continued into the first half of 2008, notably with the opening of new points of sale and kiosks in France, Italy, Switzerland, UK, Ireland and Portugal. Eastern European markets also experienced constant growth, with the investments made in Poland and Russia over the last three years proving their worth and generating strong sales growth. The United States had a record year, thanks to a strong retail organization and good product positioning. In Asia, consistent efforts, concentrated on boutique sales, allowed the continued expansion of the distribution network across

the region, with new store openings and renovations. A training program for sales personnel and store performance monitoring was reflected in an increase in productivity. China continues to be the main driver of development in the region, followed by Japan and Hong Kong. In the Middle East, the strong growth of sales continued. The brand is particularly well established in Saudi Arabia, Turkey and the United Arab Emirates, where heavy investments were made in distribution and marketing. Lastly, Latin America also saw many renovation projects. The opening of a new regional office in 2007 allowed the coordination of important improvements in the brand's distribution throughout the region as well as the opening of many stores, kiosks and shop-in-shops in Colombia, Brazil, Argentina and Chile.

In 2008, Swatch continued its integration of media partners and global campaigns with leading actors including MTV, Metro International and Yahoo, and with fashion and pop culture oriented magazines, such as *WAD*, *I-D Magazine*, *Nylon* and *Dazed & Confused*. Throughout the year several product launches were presented in Europe, Asia and Australia through a partnership with MTV Best Show Ever.

The communication campaign for the Valentine's Day launch associated the *Metro* daily newspaper with events, guerrilla marketing and customer competitions at Swatch points of sale and over the Internet.



The advertising spot *the race* created for the launch of the new Swatch Chrono Plastic line presented a new sport called “free running” represented inside the watch itself and was particularly well received by the younger audience.

One of the main launches in 2008 was the Swatch 007 Villain Collection, for which MTV ran a large-scale MTV Best Villain Ever competition and events were held in eight countries around Europe and Asia, with customers being given the opportunity to video themselves disguised as one of 007’s enemies. The launch was backed up by an advertising spot, guerrilla marketing and a communication campaign with Yahoo Europe, Asia and Latin America.

The Internet site www.swatch.com was strongly developed and now covers 35 markets in the local languages, which enables the local marketing teams to manage its content and organize targeted marketing actions.

120 Swatch stores were opened or renovated in 2008. A new store concept called Ice Dunes was introduced. The colored products are set off against a pure neutral background, which is perfectly flexible to adapt to the numerous new launches throughout the year. The first store to adopt the concept was in Lugano (Switzerland), followed by Berne, Singapore, Marseilles, Hong Kong, Dubai and Macao. Roll-out will continue in 2009 to include shop-in-shops and kiosks.

Retail “pirating” reached new heights in 2008, with the concept of “Instant Stores” that appeared and disappeared in places where they were least expected: Luxury avenues, train stations being renovated, derelict sites and alternative fashion shows. The Swatch Instant Store concept was show-cased in *One off*, Clare Dowdy’s book on the most revolutionary and innovative boutiques for their design concepts.

In line with the European implementation strategy, on-line sales were launched in Germany, Switzerland and France, with sales in constant progression and positive results to the web marketing programs. Tools tracking Internet user traffic and behavior revealed a growing interest in Swatch products and their distribution, and Internet user feedback shows an important sales potential worldwide. Swatch will therefore continue to develop this sales channel in 2009.





Creation Two new lines

Swatch Irony Lady Square > This new innovative line is characterized by its robust steel square case and its bezel with its original design, alternating between a square or rectangular opening, enabling the dial to be seen from different perspectives.

Swatch Chrono Plastic > This line combines resistant materials, adapted to sporting needs, with precise quartz chronograph movements and bright trendy colored designs, which differentiate Swatch from its competitors and attract the younger customer. Two models also come with the Swatch Snowpass technology.

Annual Collections > Five collections were launched in 2008: Spring Summer, Summer Sport, Fall Winter, Winter Sport and Seasons Collection. Each one is based on clearly defined themes around the three principal axes of fashion, art and sport, complemented by specific models for Valentine's Day and Mother's Day.

Special Editions > A unique Swatch Irony THE Chrono dedicated to Swatch ProTeam FMX (Freestyle Motocross) Champion Mat Rebeaud with a black alligator leather strap in a special presentation package of a miniature Mat Rebeaud helmet in gold and black. The Swatch 007 Villain Collection of 22 watches, using 12 different product lines, inspired by the bad guys Bond fans love to hate, from Dr No, in 1962, to 2008 smash hit *Quantum of Solace*. Limited numbered editions Diaphane One Turn 2 Her (50 pieces) and Diaphane One Turn 2 Him (130 pieces) combining luxury watchmaking with the ironic personal Swatch touch. On sale at the Swatch Store on the famous Place Vendôme in Paris, the Swatch Vendôme Collection offered a positively provocative experience, and provided a glimpse into the world of luxury and prestige creations, while being affordably priced.

Presence

Launch of the Spring Summer Collection in Kindercity > Kindercity near Zurich was transformed for several hours into a Swatch City to celebrate the family, with hundreds of adults and children being given the opportunity to discover the new Spring Summer Collection 2008 in an unusual way. Present with his wife for the festivities and to give the press conference was Nicolas G. Hayek, Chairman of the Swatch Group Board of Directors and CEO of Swatch Ltd. Actress and ex-Miss Switzerland, Mélanie Winiger, German presenter Anastacia and Beach Volley champion and Swatch ProTeam member Martin Laciga were among the guests. Children took part in recreational activities including a Swatch ARTelier with artist Ted Scapa, a theater workshop, and the preparation of Swatch-shaped chocolate bars or the famous "z'vieri" in the event's colors.

Partnership with the Blue Balls Festival in Lucerne > True to its values of joy of life, Swatch signed a three-year contract as principal partner of one of the biggest Swiss-German music festivals, the Blue Balls Festival in Lucerne – enjoyed by over 100 000 people – and presented its new Fall Winter Collection 2008 during the event.

The James Bond villains turn up at Swatch's Plastic Royale festivities > To celebrate 25 years of plastic, and the launch of its new provocative Swatch 007 Villain Collection together with the Swatch Chrono Plastic, Swatch organized an international party in Bregenz on Lake Constance, with VIP guests Richard Kiel, who played the iron mouthed villain "Jaws" in *The Spy who Loved Me* and *Moonraker*, and Mads Mikkelsen, who played the infamous gambler "Le Chiffre" in the recent *Casino Royale*. Nicolas G. Hayek presented the two collections to the press together with a retrospective "history of plastic" exhibition of 250 Swatch timepieces, from 1983 to the present day, including some rare models from private collectors and a giant version of Swatch's most popular model, Once Again. As the



guests headed by boat to the gala dinner, they were “attacked” by two motorboats and a helicopter manned by Swatch enemies, one of whom was played by Swatch ProTeam star, Géraldine Fasnacht, who amazed guests by her sky dive.

Swatch FIVB Beach Volleyball World Tour 2008 > Swatch celebrated its sixth consecutive year as principal partner of the Swatch FIVB Beach Volleyball World Tour, the Swatch name and support having contributed greatly to the popularity of this sport around the world, with the results on the center court of the 39 events (19 men and 20 women) shown in real time on the Swatch Internet site. The season started with a tournament for the first time in Australia, in Adelaide. Other new destinations were added in 2008: Osaka, Prague, Moscow, Barcelona, Dubai and Sanya (China), where the tournament ended. Swatch again created two special watches for the occasion, with a third model given to all the volunteers present over the 39 events.

Swatch O'Neill Big Mountain Pro 2008 > For the second year running, the Swatch O'Neill Big Mountain Pro event enabled the 26 best freeride snowboarders and skiers in the world to put their innovation and skill to the test in the European Alps. After eight days, the 2008 title was awarded to Jeremy Jones, member of the Swatch ProTeam.

X-Fighters > Swatch continued its partnership as official timekeeper and co-sponsor of the X-Fighters 2008 FMX competition. 200 000 spectators followed the six events in Mexico City, Rio de Janeiro, Texas, Madrid, Wuppertal (Germany) and Warsaw. The 2008 title went to Swatch ProTeam member, Mat Rebeaud, who won four of the six events. Another Swatch ProTeam member, Robbie Maddison, obtained 3rd place.

UCI BMX Supercross World Tour > For the first time, in 2008 BMX (Bicycle Motocross) was included as a discipline in the Olympic Games in Beijing. Swatch is proud to have been the Official Timekeeper and data handler of the BMX Supercross World Cup and World Championships.

Swatch Free4Style > Over 30 000 people gathered over three days in Estavayer-le-Lac in Switzerland for the Swatch Free4Style event. Exceptional displays of FMX, Jetski, and Wakeboard, delighted the crowds, especially the performance of local star, Mat Rebeaud.

Swatch Ticket To Ride (TTR) World Snowboard Tour > Following a long tradition of timekeeping Snowboard sport, Swatch became title sponsor of the iconic Swatch TTR World Snowboard Tour, from 2007 to 2010: a ten-month competition in line with the brand's values of innovation, joy of life and positive provocation, with the best male or female skier selected according to the Swatch TTR classification system.

Swatch ProTeam > The Swatch ProTeam is made up of talented athletes from the young radical extreme sports sponsored by Swatch, who embrace the brand's values of innovation, endurance, modernity and non-conformism. Free-spirits, the forty or so athletes who make up the team are snowboarders, surfers, freestyle skiers and motocross riders who do not fit into any set mould and are ready to transform themselves into base jumpers from a cliff or a DJ for the night in the hottest night club in town:



Snowboard: Terje Haakonsen (NOR), David Benedek (GER), Jeremy Jones (USA), Frederik Kalbermatten (SUI), Xavier de le Rue (FRA), Géraldine Fasnacht (SUI), Jan Scherrer (SUI), Christian "Hitsch" Haller (SUI) and Nicolas Müller (SUI). **Ski Freeride:** Phil Meier (SUI), Sverre Liliequist (SWE), Kaj Zackrisson (SWE), Cody Townsend (USA), Thomas Diet (FRA), Richard Permin (FRA), Seb Michaud (FRA), Joonas Karhumaa (FIN), Laura Bohleber (SUI) and Mirjam Jäger (SUI). **Surf:** Sam Lamiroy (UK) and Bobby Martinez (USA). **FMX (Freestyle Motocross):** Mat Rebeaud (SUI), Busty Wolter (GER), Robbie Maddison (AUS) and Lance Coury (USA). **BMX:** Khaleen Young (AUS) and Robert de Wilde (NED). **Beach Volleyball:** Igor Kolodinsky & Dimitri Barsouk (RUS), Pablo Herrera & Raul Mesa (SPA), Julius Brink & Christoph Dieckmann (GER), Clemens Doppler & Peter Gartmayer (AUT), Martin Laciga & Jan Schneider (SUI), Ana Paula Connelly & Shelda Bede (BRA), Simone Kuhn & Lea Schwer (SUI), Wang Jie & Tian Jia (CHI).



Swatch The Club International > In 2008, Swatch The Club International concentrated its efforts on building brand image and loyalty and underlining its exclusive nature. Working both on an international and national level, it undertook 62 marketing actions in 2008 (against 14 in 2007) in over 20 countries. Seven promotional events delighted collectors and Club members passionate about art and sport. These were held in Switzerland, Austria, Spain and Portugal: Collectomania, Gold and Pioneer, Christmas, the X-Fighters in Madrid, the Swatch FIVB in Klagenfurt, Illustrative in Zurich and the Swatch Snow Mobile in Saalbach. Membership also increased thanks to the development of the Internet site, with thousands of Swatch fans joining the circle of faithful collectors. The lifestyle magazine *The Club Voice* increased its circulation to 50 000 copies. Besides the success of the much appreciated club watch Once Again, Again, Swatch The Club launched its first artists' collection exclusively for club members, with three models limited to 3333 pieces, in addition to the four special event-specific watches created particularly for Swatch collectors. The bright colored Time to Be merchandise enjoyed global success and was even used as a uniform by some points of sale.

the club
swatch+





swatch®
bijoux

Swatch Bijoux

Swatch Bijoux continued its expansion throughout the world in retail, wholesale and travel retail, maintaining its level of sales in Europe and experiencing good development in the promising markets of Latin America, the Middle East and Eastern Europe.

Spring Summer Collection > Inspired by the latest trends, Swatch Bijoux launched a collection full of colors and innovative designs: Zampilo with its “big bang” of colored elements has been a worldwide success. The combination of stainless steel and blue crystals of Glint Moments spread romanticism and distinction becoming a favorite of the collection.

Fall Winter Collection > Very elegant and sophisticated, this collection also offers colored lines full of life. For the Glance Magic line, white baguette crystals were used for the first time, offering additional glamour. Spheric Move gave the opportunity of introducing the pink gold shades to the collection. Trickle Light was one of the most sparkling lines in the collection with its play of light, created by the novel use of color in Plexiglas spheres.

2008 was a year marked by a number of events around the world, including innovative local point-of-sale promotions, and participation in fashion shows, attended by numerous journalists and resulting in excellent media coverage for the brand.





Olympian Performance

www.omegawatches.com





Trends

Omega's good performance in 2008 was buoyed by the success of its Olympic-themed products, the Quantum of Solace watches and innovative Co-Axial timepieces.

2008 was distinguished by historic, sporting, cinematic and product milestones for the year:

- 160 years of technical innovation and design excellence.
- Omega served as Official Olympic Timekeeper for the 23rd time.
- For the sixth time James Bond wore an Omega timepiece, in the 22nd Bond film *Quantum of Solace*, the most successful film franchise of all time.
- Following the revolutionary introduction of the first caliber with a Co-Axial escapement in 1999, Omega continued its watchmaking prowess with the introduction of the Si 14 silicon balance spring and new in-house Co-Axial calibers.
- The Omega advertisement featuring George Clooney won two watch industry awards in October.

The brand continued to upgrade its network of retailers by streamlining its distribution, a policy that has given rise to a dramatic increase in sales per door since its first implementation in 1995. Omega now has boutiques in 90% of the world's prime retail locations, having reached the 50 boutique target set by Nicolas G. Hayek in 2000.

Omega welcomed a new member to its family of ambassadors: actress Zhang Ziyi, the highest ranking woman on *Forbes*'s list of China's most powerful celebrities.

In 2008, Omega coordinated events in every corner of the world. These ranged from boutique openings to title sponsorships of major sports tournaments, with, as a highlight, the tremendously successful timekeeping of the Beijing 2008 Olympic and Paralympic Games.

The two 2008 issues of *Lifetime*, Omega's lifestyle magazine, the Olympic Edition in March and the James Bond Edition in September, appeared in English, Chinese and Japanese with a combined circulation of 120 000 copies.

In Autumn of 2008 the watch magazine *Chronos* published the Omega Special issue dedicated entirely to the brand. It was printed in nine languages in a total print run of 350 000 copies. The magazine's sixteen chapters provide a colorful, comprehensive, contemporary look at Omega, its history and its products.

Creation

In 2008, Omega introduced more than forty new references to its main watch families, expanded the range of its in-house Co-Axial calibers and introduced the Si 14 silicon balance spring.

The Olympic Collections

The Beijing 2008, Unique No. 8 Collection > This exceptional collection of 35 watches, each bearing the limited edition number "8", considered auspicious in China, included each of the 32 limited edition timepieces released on countdown dates leading up to the Olympic Games and three "Olympic Split Seconds Chronograph 1932" pocket watches. The watches were presented in a striking black walnut pagoda-influenced tower with a lacquered finish and sold at auction by Omega, in cooperation with Sotheby's, for more than 1.2 million US dollars. Proceeds went to the Chinese Athletics Educational Foundation to help develop all-weather playgrounds for students in China's earthquake-ravaged Sichuan province.

The Olympic Timeless Collection > The precision chronographs in the 2008 Olympic Timeless Collection paid special tribute to the Beijing Games and to Omega's long Olympic Games history and its contributions to the art and science of sports timekeeping. The watches recall the chronographs used at the 1932 Los Angeles Games when Omega was first named Official Timekeeper. The collection also debuted the Speedmaster 5-Counters Chronograph – the first wristwatch with five counters on its dial, impressively displayed in the form of the Olympic rings.



Constellation “Omega 160 Years” > When Cindy Crawford famously made the Omega Constellation her choice more than a decade ago, a generation enthusiastically followed her lead. In 2008, a glamorous new diamond-studded collection of the iconic timepieces was launched in glittering celebration of Omega’s 160th anniversary.

The Constellation Double Eagle “Mission Hills World Cup” > To honor its title sponsorship of the Mission Hills World Cup of Golf, Omega created two commemorative models of the unique Constellation Double Eagle, named after one of golf’s rarest feats: completing a hole in three strokes under par.

The new Seamaster Aqua Terra Collection > This stunning new collection, with its distinctive “Teak Concept” dials, is the first to feature the in-house Co-Axial caliber 8520 / 8521 for smaller watches in its ladies mechanical timepieces, together with the Si 14 silicon balance spring for particularly stable and precise chronometric performance.

James Bond watches > The Seamaster Planet Ocean Limited Edition Quantum of Solace was launched in line with the opening of the 22nd Bond epic of the same name. The year’s Bond-themed watches, all characterized by their black dials, included a limited edition Seamaster Diver 300m James Bond Collector’s Piece and the Seamaster Diver 300m James Bond Black Collection.

The Speedmaster Moonwatch Alaska Project > In the early 1970s Omega’s Alaska Project team started to develop an outer case for the Speedmaster Professional Moonwatch to protect it from the extreme temperatures of space. NASA, however, declared that the Speedmaster was perfect as it was and already met their needs and so the Speedmaster Alaska Project remained a prototype. Released in 2008, the Speedmaster Moonwatch Alaska Project honors its robust namesake, with a limited edition of 1970 pieces. Its red-anodized aluminum outer case distinguishes this watch from all others and is the ultimate expression of Omega’s pioneering spirit.

The Speedmaster GMT Solar Impulse > The Omega Speedmaster GMT Solar Impulse was inspired by the Solar Impulse project whose ambition is to circumnavigate the globe in an airplane powered only by the sun. Its dramatic, Speedmaster-influenced dial is made of black carbon fiber, similar to the plane’s composite covering, and it has a brushed and polished titanium case. The distinctive, textured finish on the inside of the rubber strap is also reminiscent of the Solar Impulse’s carbon fiber-honeycomb composite structure.

The De Ville Hour Vision Annual Calendar Collection > The watches in the De Ville Hour Vision Annual Calendar Collection are driven by the exclusive in-house Omega Co-Axial caliber 8601 / 8611, which has an instantaneous jump annual calendar complication so it only has to be manually corrected on the first of March. They are also equipped with Omega’s Si 14 silicon balance-springs for an unprecedented level of accuracy in a series production mechanical watch.



Presence

Effective streamlined distribution > With the opening of the Omega boutique in Westfield, London, eight years after the opening of its first flagship store in Zurich in December 2000, Omega reached its ambitious target of opening 50 boutiques, located in the world's most desirable retail locations, devoted exclusively to Omega products, and including a range of Omega products not available anywhere else. The 51st boutique will open on Fifth Avenue in New York City in 2009. In 2008, seven new flagship stores were opened, complemented by 20 more franchise stores. Omega will maintain the strategy of supporting its corporate and franchise boutiques with high-profile independent points of sale throughout the world, ensuring that every customer benefits from competent, Omega-trained sales consultation and after-sales service.

James Bond and Omega: *Quantum of Solace* > No film release is more eagerly anticipated than a new instalment in the James Bond series. In 2008, *Quantum of Solace* became the sixth partnership between Omega and the world's favorite secret agent, carrying on a tradition which started with *GoldenEye* in 1995. *Quantum of Solace* was released internationally in November 2008 with Daniel Craig continuing the role of James Bond, which he first assumed in *Casino Royale*.

By year's end, *Quantum of Solace* had broken box-office records in every major market and the film is on track to become the highest-grossing release in the history of the franchise, confirming the value of Omega's product placement in the popular series. Omega organized a number of Bond-themed events including boutique openings featuring James Bond Girls Caterina Murino (*Casino Royale*) and Olga Kurylenko (*Quantum of Solace*) and invitation-only film débuts. The brand's dedicated commercial communicated in thirty seconds the thrill and the frantic action of the film.

Omega and golf > Omega has long supported golf with key tournament and tour sponsorships around the world. In 2008, Omega continued its title sponsorships of the European Masters and the World Cup of Golf. The 2008 edition of the Omega Mission Hills World Cup was again staged on the Olazábal Course at Mission Hills in Shenzhen, China. Tournament champions Sweden included two of the game's biggest stars, enhancing the credibility of the World Cup in the international sporting press.

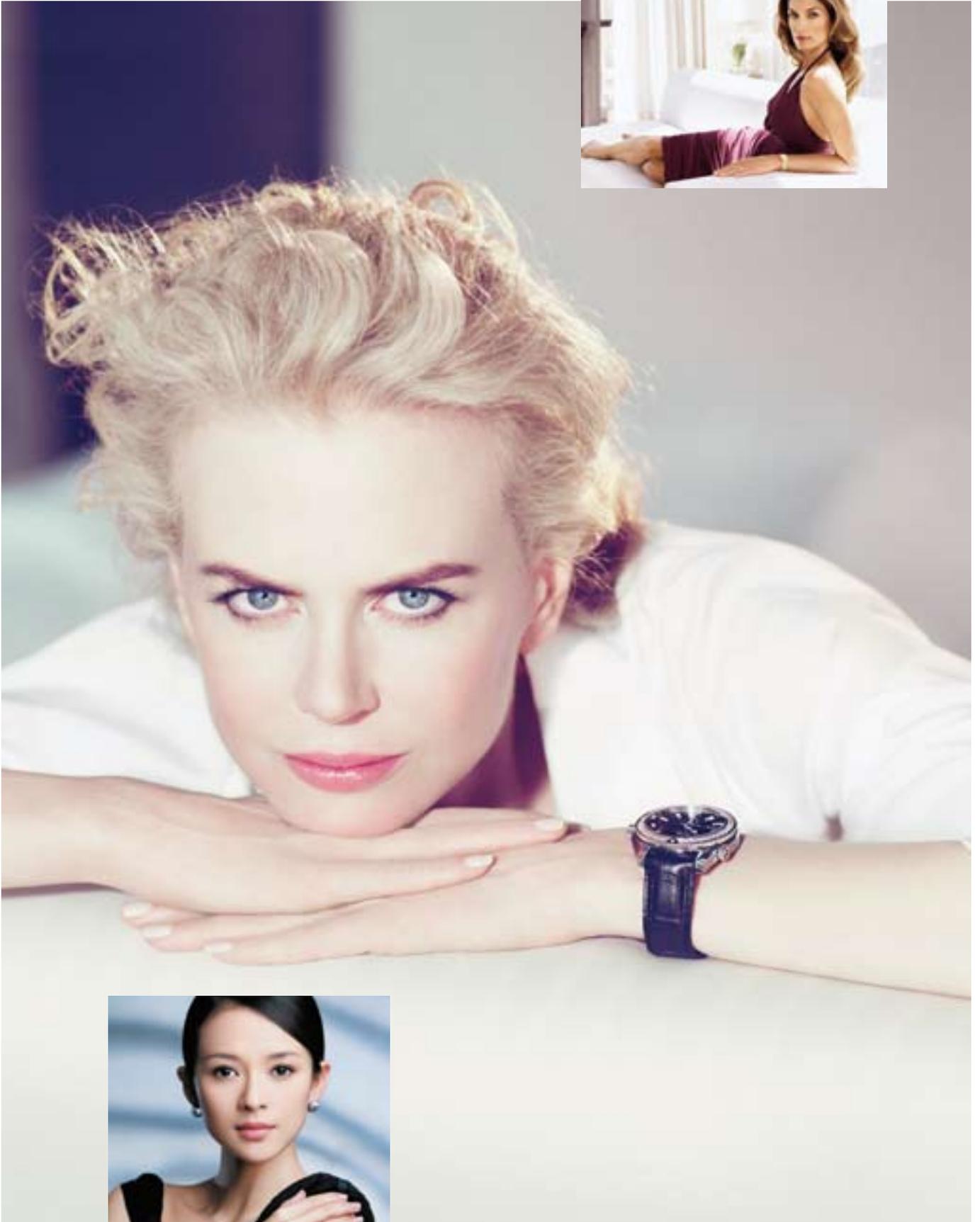
Omega on-line > Jewellery and Fine Leather websites were launched during the year and the much-anticipated French version of the main site, www.omegawatches.fr, went live in September. Micro sites dedicated to the year's key events, the Olympics and *Quantum of Solace*, were added in February and October respectively. The number of visitors to Omega's websites increased steadily with dramatic year-on-year growth in all major markets. According to the independent *WorldWatchReport*, Omega had three models in the top five positions with the Omega Seamaster receiving more model-specific searches in the USA and Europe than any other watch model.

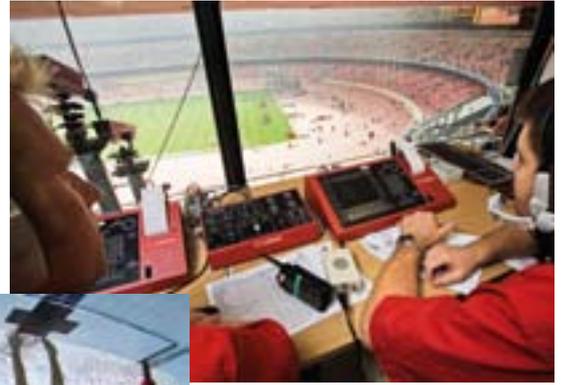


Solar Impulse > Omega continued its active role as one of the main partners of Solar Impulse, providing financial support and technological expertise. This venture, which aims to circumnavigate the globe in an airplane powered only by the sun, will contribute to the scientific and ecological development of alternative means of sustainable energy.

In May 2008, Solar Impulse pilots Bertrand Piccard and Andre Borschberg successfully completed a virtual flight in a cockpit identical to the one in the HB-SIA prototype which will take off on its maiden flight in 2009, powered only by the sun. Each pilot spent 25 uninterrupted hours in the cockpit.







The Beijing 2008 Olympic and Paralympic Games

Omega and one of the greatest sporting spectacles of all time >

The long-anticipated start of the Beijing 2008 Olympic Games was signaled by the giant Omega Countdown Clock in Tiananmen Square when it reached zero at 8 p.m. on the 8th day of the 8th month of 2008. For the 17 days which followed, Omega had a place of privilege, recording and displaying the results in each Olympic event. The Chinese hosts achieved their dream of making this Olympic Games among the best of all time – and Omega's participation was critical to the resounding success.

The high profile Omega Pavilion > Omega's presence was also spectacular thanks to the impressive Pavilion located on the Olympic Green which welcomed hundreds of thousands of guests, with numerous high-profile events and a vast exhibition area dedicated to the company's legacy and its enduring pioneering spirit. Events at the Pavilion featured some of Omega's most prominent spokespersons, including the brand's five Olympic swimming ambassadors, astronauts Eugene Cernan, Thomas Stafford and Claude Nicollier, supermodel Cindy Crawford and actress/James Bond Girl Caterina Murino.

Advertising and Promotion > Omega's popular Olympic-themed television commercials powerfully evoked the emotions of the Games. In a memorable one, an eight-year old girl's grandfather lifts her so that she can see the action over a wall at the "Bird's Nest" Stadium in Beijing. In another, the excitement of a 100-meter sprint is conveyed with creative slow-motion and freeze frame editing. "We have the ability to stop time." says the commercial's tagline "Or to let it run."

Omega's timekeepers and data handlers > Omega's commitment to the Olympics was spectacular: 450 timekeepers and data-handlers deployed some 420 tons of equipment, including the massive scoreboards in the National "Bird's Nest" Stadium. More than a thousand carefully selected and trained local volunteers supported the largest timekeeping effort in the history of sport.

Omega's timekeepers then turned their attention to the Paralympic Games which opened on 6th September and featured 20 sports and 71 medal events. With Omega's support, the Paralympic Games lived up to their motto of "Empower, Achieve, Inspire".

The countdowns are already underway for Omega's next Olympic engagements in Vancouver in 2010 and in London in 2012. No sporting event in the world attracts more attention than the Olympic Games and Omega's highly-visible role as Official Timekeeper dramatically enhances the awareness of the Omega brand in the more than 200 nations which participate in the Games.

A 76-year legacy of innovation > When Omega became the first company to be entrusted with the official timekeeping of all disciplines at the Los Angeles 1932 Olympic Games, no one could have imagined how the relationship between the Swiss watchmaker and the Olympic movement would evolve over the next 76 years. Omega has been behind the development of much of the most important technology in sports timing including photofinish cameras, swimming pool touchpads, and false start detection systems.

New technology for Beijing > For the 2008 Olympics Omega introduced a number of new technologies dedicated to improving the quality of timekeeping and the increasingly sophisticated demands of data management.

The Scan'O'Vision Star > The newest generation of Omega's famous photofinish camera recorded more than 2000 high resolution images each second, with the corresponding time displayed on each frame.



Bib transponders > Weighing less than 9 g and worn by competitors on their shoelaces or attached to the inside pockets of their number bibs, their radio frequency identification (RFID) technology helped time the races and determined the relative positions of the athletes during the events.

GPS positioning > Used to track and display the positions of the competitors in rowing, canoeing and sailing events. GPS transmitters mounted on the boats sent GPS coordinates to Omega Timing professionals on shore. The information was also used for TV graphics and online live race tracking.

High speed video (HSV) > This was introduced in swimming events in Beijing with dramatic results: the HSV system, used as a back-up, verified that Michael Phelps had won the 100-meter butterfly by a hundredth of a second, confirming that Omega's electronic touch-pad system had worked perfectly.

Virtual TV services > These were adapted to the needs of specific sports. In swimming, the names of the individual swimmers were superimposed over each lane along with their finishing positions. Virtual record lines indicated where they were, relative to the world record pace.

Scoreboards with Chinese characters > These allowed the local spectators to be fully informed of the results not only in French and English but in Chinese, whose complex characters meant that the scoreboards had to display with greater resolution than had been necessary in the past.





Omega Fine Jewellery Collection

In 2008, Omega consolidated its Fine Jewellery Collection with some evocative new creations, whose designs blend the ageless themes of love and sensuous beauty with mischievous charm. The service structure was also upgraded, to deliver sizing and engraving as well as after-sales service through Omega's worldwide network.

An important development was the addition of wedding bands to the Fine Jewellery Collection in response to market demand. To address the bridal theme one of the most romantic design elements, the sea, was selected, which was symbolized by the flowing, timeless waves of an eternal circle. The theme was carried even further in the Aqua Collection's Stream line. Rings fashioned from white or red gold in an intriguing bubble pattern melt into a stream of diamonds which appears to flow around the ring.

The dazzling colors of the stones in the Griffes Affinité Collection conquered hearts around the world and the market warmly welcomed these bold pieces which blend together character and powerful design. Omega extended this Collection with the launch of the matching earrings and pendant in 2008.

The Omega collection for men also enjoyed increased momentum. The enormous success of the Sailing Bracelet set a new direction towards sporty and casual men's jewelry and accessories.

Omega's Fine Jewellery Collection clearly signals that while Omega stands for innovation and excellence in watchmaking, it is also a unique lifestyle brand for discerning customers with an eye for elegant design and sophistication.



Fine Leather Collection > Omega extends its traditions of design excellence and quality to leather

Omega's Fine Leather Collection, available exclusively through its international flagship boutiques since the end of 2007, enjoyed a warm market reception in 2008.

The exacting standards of craftsmanship, design and superior materials which have always characterized Omega's watchmaking tradition have found new expression in the Fine Leather Collection. In 2008, the Fine Leather Collection was awarded the prestigious Red Dot Design Award, an annual prize created to recognize innovative product design. The award acknowledged the practical slip opening on the outside of the Collection's wallets and key holders, which perfectly accommodates slim items such as car park cards, electronic hotel keys and loyalty cards. Unique to Omega, this attribute combines innovation with a strong visual identity.



The Trianon Year



Trends

Following the same strategy, now in place for the last eight years, centered on the excellence of its products, communication and distribution, Breguet confirmed its position in 2008 as the worldwide leader in prestige watchmaking.

In response to growing demand, new land was purchased for the planned extension of the two sites in L'Orient and L'Abbaye, enabling the brand to expand its production space. The company also enlarged its decoration departments, in particular the workshop preparing manually engine-turned dials. The aim is to ensure the passing on to the next generation of this art done by hand, an integral part of Breguet's history and identity. The brand is one of the few to possess a workshop of master *guilloché* artisans integrated into its production system. Resources for the chamfer workshop were also increased, both in terms of material and personnel.

The year 2008 was spent by Breguet under the aegis of its distinguished patron Marie-Antoinette. Still considered today as one of the five most complex timepieces in the world, the legendary watch bearing her name has now been found. The announcement of this news by a Jerusalem Museum, which came just after the presentation by Breguet at Baselworld of its new Marie-Antoinette watch, manufactured by the Breguet watchmakers in four years (2004 to 2008), turned the occasion into a veritable media happening.

The re-opening in September of Marie-Antoinette's Estate in Versailles was marked by a memorable celebration, presided over by Nicolas G. Hayek and the French Minister of Communication and Culture, Christine Albanel. During this event, Breguet presented to an appreciative public, composed of personalities from around the world, the restored Petit Trianon.

In line with its philosophy, the brand remained in the cultural limelight, associating itself with some of the world's greatest names of classic artistic heritage.

The latest international Breguet boutique was opened at the Dubai Mall and boutiques will be completed and inaugurated in Abu Dhabi, Hong Kong, Taipei, Shanghai and Pusan in South Korea in 2009, despite the fears of an expected economic crisis.



www.breguet.com





Creation

Marie-Antoinette n° 1160 pocket watch > In 1783 an admirer of Marie-Antoinette ordered from the Breguet workshop a watch incorporating all the watchmaking know-how of the time. The Queen for whom this watch was destined was never to have the opportunity to admire this masterpiece since it was only finished in 1727, 34 years after her tragic death and four years after the disappearance of A.-L. Breguet. Referred to as the “Marie-Antoinette”, the Breguet n° 160 fascinated watch collectors for over two centuries. Stolen from a Jerusalem museum in 1983, its whereabouts were unknown for a long time, which led Nicolas G. Hayek to take up the challenge in 2004 to reproduce it as the Marie-Antoinette n° 1160 pocket watch. To recreate the original movement research had to be carried out in the archives and drawings of the Breguet Museum as well as other cultural institutions such as the Musée des Arts et Métiers in Paris. Comparative studies of antique watches brought new light to bear on watchmaking techniques of the time. These investigations also led to the discovery that this legendary watch included the complication of jumping hours which did not feature in any description. The other complications of this masterpiece are a minute-repeater, a perpetual calendar, an equation of time, a long independent seconds-hand, small seconds, a power-reserve indicator and a bimetallic thermometer. The self-winding movement comprises no less than 823 components. The plates, bridges and mobile gear-train are in gold and the friction points set with sapphires. The mechanism also comprises a gold helical balance-spring, a bimetallic balance-wheel and a double “pare-chute”, an invention by Breguet to protect the balance-staff against shocks and jolts. This masterpiece resides in a precious watch box sculpted from the wood of Marie-Antoinette’s oak tree, sumptuously decorated on the inside with inlaid work, all done by hand with over one thousand fragments, portraying the hand of Marie-Antoinette holding a rose, with the exterior of the box offering a faithful reproduction of the parquet flooring of the Petit Trianon.

Classique 5447 Grande Complication – Minute-repeater and perpetual calendar > The new version of the Classique 5447 watch with its perpetual calendar and minute-repeater integrates the first results from research carried out into acoustics, with the aim of improving the transmission of sound and the resonance of the timepieces. Several patents have been filed concerning this. The minute-repeater mechanism has therefore been optimized at several levels, notably in the positioning of the gong-holder to obtain a sound that is as crystal-clear as possible in a case that acts as a resonance chamber.

Classique Grande Complication 1808 – Tourbillon Haute Joaillerie >

The tourbillon is one of the inventions that immortalized the genius of Breguet and conferred upon him the title of founder of modern watchmaking. The tourbillon of the Classique Grande Complication 1808 is concealed behind a precious cover set with 706 diamonds. The black rhodium dial hand engraved on a rose-engine, contrasts with the pink gold baseplate, also entirely engraved by hand.

Classique Complication 5247 >

The model 5247 encloses a manual winding movement with a column-wheel chronograph. With its power reserve of 48 hours, the present caliber has been increased in frequency to 3 Hz. The dial in white fired enamel presents a graduated tachometer scale in a red spiral, enabling the measurement of the speed of a body in motion over a given distance. The 30-minute and small seconds counters face each other at 3 o’clock and 9 o’clock.

Classique 7137 >

Of a rare elegance the Classique 7137 displays all the Breguet attributes and is inspired directly by one of the brand’s iconic timepieces, the celebrated n° 5 watch, delivered to the Comte Journiac St. Méard in 1794 and bought by Nicolas G. Hayek for the Breguet Museum. The watch shows the phases of the moon, the power reserve and the date. The *guilloché* decoration illuminates the dial, the calendar shows each date in a sunburst pattern of 31 rays, an asymmetrical design that is extremely difficult to realize.

Classique Grande Complication 5347 – Twin Rotating Tourbillons >

In 2008, Breguet delivered its first Twin Rotating Tourbillons to the brand’s principal markets. This technological masterpiece calculates the average rate of the two tourbillons that pivot on a central plate in time with the passing hours. One of the most exclusive timepieces in the Breguet Grandes Complications range, it has already met with substantial success.

Marine Chronographe Dame 8828 >

The Marine 8828 has become the new ladies sports chronograph. With its gold case, the bezel and the attachments are set with diamonds whilst the crown surrounds a sapphire cabochon. The dial in natural mother-of-pearl is cut-out and superimposed upon a gold back plate to reveal the figures of the counters. The 30-minute, 12-hour and small seconds counters are laid-out above the date window. Seven diamonds evoke a wave pattern that highlights the *guilloché* decoration of the dial.



Héritage Tourbillon 5497 > The Héritage line now comes with its first grand complication: a manually wound tourbillon. Curved on two axes, the case in platinum or rose gold represented a technical challenge for the Breguet watchmakers and engineers. This dual camber also applies to the dial. The play of materials and relief work is spectacular, highlighting the tourbillon and accentuating the technical prowess of the timepiece. The hour-circle is meticulously cut-out in a single piece and superimposed upon the shaped dial with its *guilloché* decoration done by hand. The barrette of the tourbillon also participates in the overall design since it takes on the role of the hour marker at 6 o'clock.

Reine de Naples Cammea 8958 > The timepieces Reine de Naples Cammea are unique and celebrate traditional cameo craftsmanship, whose worldwide center of expertise is in the region of Naples. Engraved in high relief to display the different contrasting strata of color, the dial of the Reine de Naples 8958 is a world first and a veritable miniature sculptured from a shell and pushing back the limits between art and craftsmanship. The case in white gold is set with diamonds. The watch comes with two alligator leather straps in chocolate brown or white, with a folding clasp set with diamonds.

Presence

High level watchmaking and culture > Under the guidance of Nicolas G. Hayek, Breguet invests widely in the promotion and conservation of the world's cultural heritage. The brand therefore participated actively in a number of prestigious events during 2008.

Watchmaker to the Queen and patron of the Petit Trianon in Versailles > Having decided to give a second life to the oak tree in the park of the Palace of Versailles, under which Marie-Antoinette had often sought solace, and to make of its wood the box for the watch bearing her name, Nicolas G. Hayek undertook to finance the restoration of the Petit Trianon and the Pavillon Français, situated in the heart of Marie-Antoinette's Estate. Through this cultural patronage the brand hopes to perpetuate its ties with Versailles, since Breguet was already "Watchmaker to the Court" as early as 1780, as well as a privileged supplier to the Queen. The brand's undertaking thus enabled new life to be given to one of the jewels of neoclassical French architecture. All the original decoration was restored, additional museological installations were created, the apartments refurbished with furniture dating from the different periods of the palace's existence, and the technical installations

redone. Having commenced in 2007, work finished at the end of September 2008 and for the first time the entire interior of the Petit Trianon is now accessible to the public. The official re-opening was marked by a press conference and a grand reception attended by 600 guests, including 250 journalists from around the world and a number of French personalities.

Promoting the virtuosos of emotion > Breguet again sponsored one evening of the International Lucerne Festival of Classical Music. Invitees from across Europe were able to listen to a magnificent concert of Anton Bruckner music, interpreted by the New York Philharmonic Orchestra, conducted by Lorin Maazel. At the Geneva International Music Competition, Breguet also gave an award to the prize-winning cellist István Várdai, a young virtuoso who, moreover, won the Prix Coup de Cœur Breguet and will now be making a recording of his work. Breguet financed an evening celebrating the renovation of the prestigious Royal Hall in Harrogate, England's last surviving "kursaal", dating from 1903. The opening night of the Los Angeles Philharmonic season was also sponsored by Breguet and was a resounding success, with the magnificent concert given in homage to Esa Pekka Salonen.

Museum activities > In April Breguet took part in a temporary exhibition organized by the Louvre museum entitled "Napoléon et le Louvre" at the museum of the Forbidden City in Beijing, displaying timepieces belonging to Napoleon Bonaparte and habitually on display in the famous Paris museum. In the Netherlands, the Het Loo palace presented in 2008 a temporary exhibition of Breguet watches. A wide selection of watches, including the re-edition of the Marie-Antoinette watch, were specially sent from the Breguet Museum in Paris to the former summer residence of the Dutch royal family.

Opening of a new boutique in Dubai > After Paris, Geneva, New York, Los Angeles, London, Vienna, Tokyo, Moscow, Singapore, Cannes and Seoul, Breguet opened its second monobrand boutique in Dubai in November 2008, ideally situated in the Atrium of Dubai Mall, the biggest mall in the world.

Haute Joaillerie

Breguet



Breguet can be considered as one of the great names in high jewelry, a position confirmed by its uninterrupted growth over the last seven years. The jewelry was displayed in 2008 in the 14 Breguet boutiques and was also admired for its extraordinary workmanship at a number of events throughout the world.

A eulogy to femininity and sensibility, the creations of the Haute Joaillerie Breguet played upon the theme of eternity with diamond-set pieces. Inspired by European history and culture, the jewelry symbolized the spirit and values of the brand and drew their beauty from the park of the Petit Trianon.

Marie-Antoinette's favorite retreat inspired a number of jewelry pieces with evocative names such as Le Temple de l'Amour de Marie-Antoinette, Le Pavillon de la Reine and Les Jardins du Petit Trianon - Pluie de Glycines. Incarnating the grace and refinement of the former royal resident, the collections Les Jardins du Petit Trianon - Les Glycines, Les Plumes and Marie-Antoinette Fleurs also continue to enjoy great success. This year they were joined by jewelry timepieces, combining the feminine aestheticism of a jewel with the technicality of an automatic Manufacture movement.

Le Temple de l'Amour de Marie-Antoinette comprises a necklace, bracelet, earrings and a ring, surmounted by a splendid cushion cut diamond. The watch in the same collection comes with a white mother-of-pearl dial in a white gold diamond-set case, ornamented by a lacework of precious stones, which recall the springtime motifs of the jewelry.

Inspired by the edifice where Marie-Antoinette was wont to stroll, the jewelry Le Pavillon de la Reine charms by its noble forms. Brilliant cut and pear cut diamonds make up a majestic necklace and refined earring set, offering all the aristocratic appeal of the 18th century style.

In addition to the edifices, Marie-Antoinette's Estate was also composed of extraordinary gardens. The Queen's passion for flowers inspired the high jewelry Les Jardins du Petit Trianon - Pluie de Glycines. In homage to the ribbons so dear to the Queen, the ring, bracelet and earrings form a simple bow of precious stones in a shower of brilliant cut and pear cut diamond drops. The first high jewelry piece to be presented by Breguet as a collection, La Pluie de Glycines has enjoyed great commercial success around the world since its launch.

The high jewelry timepiece, Rêve de Plumes, recounts the history of a queen who dictated fashion and imposed her personal taste on the court at Versailles. Her legendary elegance showed an attachment not only for the fineness of taffeta and silk but also for the lightness of feathers. The line also consists of a high jewelry ring adorned with a superb pink oval sapphire, as well as a timepiece, with invisibly set baguette cut "pigeons' blood" rubies.

With its cuff bracelet entirely paved in diamonds, the high jewelry timepiece Marie-Antoinette Fleurs constitutes another reference to the Queen's gardens. The precious stones trace the forms of orchids in a subtle gradation of pink diamonds.

For its fine jewelry, La Boucle de Breguet completes the Marine watch collection. A simple satin strap supports the white or yellow gold emblematic buckle of the collection. Entirely set with diamonds the watch buckle becomes the highlight of the jewelry bracelet. In the same collection, the Breguet cufflinks come with a Clou de Paris motif, recalling that of the rubber straps of the Marine timepieces. Already a great success for a number of years, the Masse Oscillante cufflinks, presented in 2008 the Breguet oscillating weight in white or yellow gold on a disc of lapis lazuli. In homage to the movements of Breguet timepieces, this creation, which is also available in a diamond-set version, is mounted with real ball-bearings and displays the famous Breguet fluted grooves milled along the cufflink rim.





www.blancpain.com

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Pioneering Spirit



Trends

Again showing its power of innovation, Blancpain presented in 2008 the first movement housing a “flying” one-minute karussel, a patented innovation capable of performing one full rotation in 60 seconds and

miniaturized for the first time to the size of a wristwatch.

Blancpain continued its growth and confirmed its strong sales potential in Asia, in particular in China and Hong Kong. The European markets also showed remarkable growth with the Eastern European countries registering a strong sales increase, ratified by the opening of a boutique in Moscow. The brand also continued to develop in the Indian subcontinent and the Middle East enjoyed exceptional results, particularly in the United Arab Emirates.

The brand continued its strategy of opening boutiques with, in addition to the one in Moscow, seven new openings in the prestigious shopping streets of Zurich, Madrid, Dubai (in two locations), Taipei, Shanghai and Bahrain.

The new additions to the Fifty Fathoms line, including two models with mother-of-pearl dials for women, further enhanced the leadership position of this iconic diving watch. The creation of the world first Carrousel Volant Une Minute timepiece reinforced Blancpain's leading position as a watchmaker of grand complications. The sale of tourbillon timepieces, spearhead of the brand, were also in constant progression.

Blancpain acquired the company of the famous watchmaking creator Vincent Calabrese, which has now integrated the R&D team, dedicated to the research and realization of new projects for the Manufacture. The company VICA Sàrl and its installations, developments and patents are now also under the ownership of Blancpain.

The Blancpain Boutique in Geneva was awarded the Trophée d'Excellence, following a survey carried out by the agency Reflection Marketing, specialist in customer experience, mandated by the Swiss economic magazine *Bilan*. Of the 35 luxury boutiques in the rue du Rhône, the Blancpain boutique received the best overall rating, with an average of 4.9 out of 5, placing it well ahead in the rankings.

The company magazine *Lettres du Brassus* received four new distinctions in 2008. Considered as the most prestigious awards for corporate literature, the International Mercury Awards presented the company with the overall Grand Award for Writing for all types of corporate literature, the Gold Award for Writing for the magazine category and the Honors Award for Design. The Blancpain magazine also received the silver medal at the Astrid Awards.

Unveiled at Baselworld 2008 and published as a limited series, the art magazine of underwater photography *Fifty Fathoms Edition* is a reflection of the quality of Blancpain diving watches, using the most sophisticated techniques to meet the highest visual demands.





Creation

Carrousel Volant Une Minute > In line with its dynamic innovative image, Blancpain presented a new interpretation of the karussel complication. Before the master watchmakers of the Blancpain Manufacture revealed its potential, by totally rethinking its conception, this complication had virtually fallen into oblivion shortly after its presentation by the Danish watchmaker Bahne Bonniksen in 1892. Similar to the tourbillon in its ability to compensate the effects of gravity on the rate of the movement, the karussel stands out by the way in which it executes this function and by a construction that is more sophisticated and component-rich. In a tourbillon, the carriage is connected to the barrel through a single gear train and if this mechanical connection is interrupted, the tourbillon itself stops rotating. The karussel on the other hand is linked to the barrel by two gear trains. The first provides the energy required to run the escapement, while the second controls the rotation speed of the carriage.

The innovation shown by the Blancpain master watchmakers lies in the miniaturization of this extremely complex mechanism, creating the first karussel wristwatch in history, and in the fact of being able to place the balance in the centre of the carriage. The Carrousel Volant Une Minute by Blancpain also surpasses the original mechanism which paid no attention to the speed of rotation. The Manufacture therefore developed an exclusive differential gear system which controls the speed of the carriage rotation. The patented system designed by Blancpain ensures a rotation of exactly 60 seconds. One minute that marks a decisive contribution to watchmaking history.

New Fifty Fathoms timepieces > Revisiting the diving watch genre to offer new expressions adapted to today's different lifestyles, Blancpain came with new versions of its Fifty Fathoms timepiece in contrasting black and white. These latest additions to the Sport collection bear the distinctive characteristics of the famous diving watch: the exclusive Blancpain 1315 automatic movement with a 5-day power reserve, a 45mm steel case with a sapphire crystal base revealing the automatic movement and its engraved oscillating weight in the form of a nautilus, water-resistance to 300 meters, and oversized indexes and hands for maximum legibility. Developed in the 1950s to equip "Les Nageurs de Combat" of the French army during their perilous underwater missions, the Fifty Fathoms is now also available for ladies in two light pastel shades.

Speed Command Chronograph > In homage to high-speed mechanical performance, the latest sports timepieces by Blancpain are characterized by their fiery temperament. Robust and virile, this resolutely modern watch is housed in a case that honors new materials and equipped with an automatic chronograph movement with fly-back hand. Made in brushed Diamond Like Carbon (DLC) steel with a bi-directional "count-down" rotating bezel in black sapphire crystal, the case measures 45mm in diameter and is water-resistant to 300 meters. The black chequered effect carbon fiber dial

is enlivened by stylized orange or yellow Arabic numerals inspired by the dashboard speedometers of legendary sports cars. For the first time at Blancpain, a sloping inner dial ring bears a tachometric scale for greater legibility. For the same reason, red Superluminova is applied to hour and minute hands as well as to the central chronograph seconds hand.

This distinguished case, dedicated to performance, houses Caliber F185, a 308-part mechanical self-winding chronograph movement with a 40-hour power reserve

The five-arm rotor is inspired by racing-car wheel rims. Incarnating performance to the last component, the Speed Command Chronograph by Blancpain comes with a black rubber-lined Barenia leather strap secured by a steel pin buckle.

Blancpain Women Saint-Valentin 2008 > To celebrate Valentine's Day, Blancpain came with a limited edition Complete Calendar Moon Phases, a traditional complication which breathed new life into the entire mechanical watchmaking industry in the 1980s and became the signature of the Blancpain Manufacture in Le Brassus. Contemporary and feminine, this jewelry watch has a subtle avant-garde appeal. With its white mother-of-pearl dial, its Arabic numerals and its hollowed cone-shaped hands, it plays upon the contrasting different materials. Two rows of diamonds light up the traditional double-stepped bezel. Endowed with a 100-hour power reserve, the self-winding Caliber 6763 powering hour, minute and small seconds hands also features a complete calendar driving a pointer-type date display, along with day of the week, month and moon-phase indications. The theme of this elegant complication timepiece is depicted by the small seconds hand in the form of a flaming red heart which counts the seconds of love and underlines the originality of the harmoniously feminine traits of the moon. The sapphire crystal case-back reveals the careful finishing and hand-crafted decoration of the movement. Limited to 99 pieces, the Blancpain Women Saint-Valentin 2008 comes with a hand-sewn white alligator strap with folding clasp.

Presence

A partnership between two inspirers of mechanical passions >

Creators of exceptional products, Blancpain and Lamborghini joined forces, uniting their expertise to engender the first Lamborghini championship in the world. This union hallows the technical performance and exclusive design of two manufacturers who combine tradition with innovation. The Lamborghini Blancpain Super Trofeo is a dream come true for four-wheel motor sport enthusiasts: to bring together on the race track the latest gleaming models of the Gallardo LP560-4 in the fastest and most exacting monobrand car racing championship in the world. From May 2009 onwards, 30 high-powered cars carrying the Blancpain-Lamborghini colors will compete on Europe's finest racing tracks.



First modern wristwatch on display in the Forbidden City >

True emblem of art and world culture, the Palace Museum in the legendary Forbidden City in Beijing houses the richest collection of national treasures in the world. Chosen to represent modern watchmaking art, Blancpain is the first watchmaking company in history to exhibit a modern wristwatch in The Watch and Clock Hall. Proud of this honor paid to them, the brand created a unique karussell timepiece named the Blancpain Qiankun Carrousel. The open worked opaline dial depicts the “Yin and Yang” symbol and reveals the noble, restrained architecture of the entirely hand-decorated movement. The words “The Palace Museum” and “Pièce Unique” are engraved on the back of the case. The sapphire crystal base reveals the oscillating weight, specially produced for this timepiece, bearing the hand-engraved image of the Forbidden City.

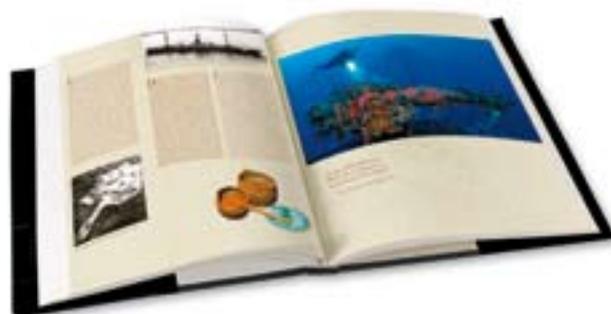
A passion for the marine environment educates the young generation to respect its heritage >

Based on a shared love of marine lifestyle and on the historical heritage that links the oldest watchmaking brand to the world of the sea, the partnership between Blancpain and the Monaco Yacht Show has enabled the brand to associate its name for nearly a decade with one of the most prestigious events in the international sailing calendar. In the presence of HSH Prince Albert II, and of Pierre Frolla and Gianluca Genoni, holders of several free-diving world records, Marc A. Hayek showed his support for an awareness campaign aimed at future generations centered on the inestimable value of water. Blancpain thus offered 50 school children a diving course, taught by the Ecole Bleue, and the opportunity to discover the flora and fauna of the marine environment. To crown this action that celebrates its passion for the underwater world, Blancpain presented its traditional limited edition dedicated to the Principality of Monaco: the Fifty Fathoms Chronograph Flyback, entirely in white and limited to only 20 pieces.

An award for the winner of the Swiss selection of the Bocuse d’Or 2009 > Blancpain honored the winner of the Swiss selection competition of the Bocuse d’Or 2009. After a very close-run contest

held at the Casino Kursaal in Berne to choose from the six finalists, the head chef of the restaurant Le Pont de Brent

in Montreux, Stéphane Décotterd, was awarded the most prized trophy in the Swiss gastronomic world which earned him a coveted place to take part in the Bocuse d’Or 2009. A quest for excellence, expertise, and precise gestures and a passion and respect for work done by hand are the values that the Blancpain Manufacture shares with the world of gourmet cuisine. As Official Timekeeper of the event, Blancpain awarded the winner a Chronograph Flyback Grande Date.



Fascination of Time



Glashütte
ORIGINAL

Trends

2008 was a truly successful year for Glashütte Original, who enjoyed positive development within the German market and consolidated growth within other major markets, including China, Hong Kong, the United States and the Middle East.

As a luxury German watch brand, Glashütte Original is characterized by the clarity of its design together with its association of different noble materials. To underline this image, the company decided in 2008 to give priority to the roll-out of its new shop-in-shop concept. The first examples were created with established partners in Hong Kong, Oslo and Berlin.

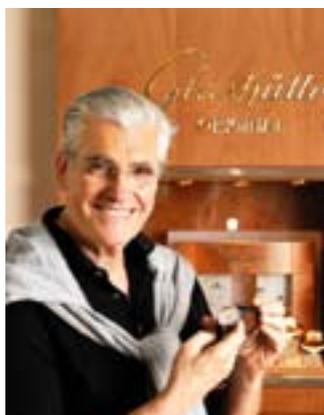
A first monobrand boutique was inaugurated in Dubai and the company intends to open four new boutiques in 2009 in China, Hong Kong and Moscow.

The official opening of the German Watch Museum Glashütte took place on 22nd May in Glashütte. The traditional red ribbon was cut by representatives from the town of Glashütte, the Free State of Saxony, Swatch Group and the Glashütte Original company, marking the opening to the general public of this exhibition area and place of reflection on time.

Creation

PanInverse XL > After the “flying” tourbillon, the designers and constructors of Glashütte Original managed to showcase a true example of technical high-complication watchmaking prowess, developed by the Manufacture. The swan-neck regulator-assembly is directly integrated into the manual winding caliber 66, on the dial side. Placed in evidence in this way by the hour display, it is literally in the spotlight. From a visual point of view, these artistic refinements agreeably re-establish the harmony of the timepiece, off-setting the small decentralized dial. However the true originality of the PanInverse XL comes from the perfect combination of the fine chased work of the bottom plate, the thousand different shades of its jewels and the bluing of its screws.

Perpetual Calendar Sport Evolution > The combination of sporty design and the perpetual calendar, one of the most traditional of high level watch complications, is what lends its unique character to the Sport Evolution timepiece. In addition, this timepiece also offers a turning bezel enabling its wearer to switch between the different time zones.



www.glashuette-original.com



Chronograph Senator Sixties > The vividness of the different design elements of the Senator Sixties model recalls the dynamic and exciting period of the 1960s. The characteristic traits of style and design of those years, found in the hour indices with their point of luminescent Superluminova, as well as in the eccentricity of the two conspicuous chronograph numbers, confer a certain chic to this timepiece, whilst the sapphire back offers a panoramic view of the automatic caliber 39 movement.

Four Seasons > SpringBlossom, SummerSun, AutumnLeaf and WinterDream are the names of the four models of the Glashütte Original Star collection, each one evoking through its design and its characteristics the four seasons of the year. Unifying feature of the collection, the extra-thin mother-of-pearl dial of each timepiece, reflects the different elements of the yearly cycle. Each four season model bears a diamond encrusted bezel, and the splendid combination of materials and design, and the textures and colors form a perfectly harmonious whole.

Presence

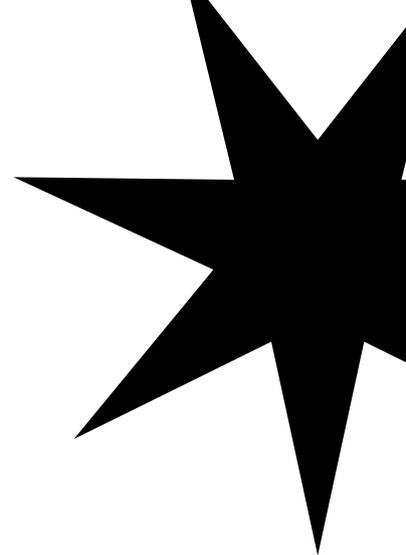
Formal opening of the German Watch Museum Glashütte > As the title of its exhibition "Fascination of time – Experimenting with time" suggests, the museum opened in May 2008 not only showcased high level watchmaking but also offered an insight into the emotional aspects of time. In line with the objectives of the foundation "Deutsches Uhrenmuseum Glashütte – Nicolas G. Hayek", the exhibition designed by Glashütte Original not only evokes the history of the town of Glashütte, but also different aspects relative to the sense and telling of time.

The exhibition is divided into different areas, not only recounting chronologically the history of the town, wholly dedicated to the creation of timepieces, but also offering visitors the opportunity to discover the fascinating world of the art of watchmaking and mechanical precision. Six months after its opening, the museum has become a centre of attraction for a great number of watch enthusiasts from Germany and the surrounding areas. By the end of 2008, the museum had already welcomed over 30 000 visitors.

Concert Diva Maxima in Dresden > Glashütte Original was one of the three principal sponsors of the musical event Diva Maxima, a unique and exceptional open-air performance, bringing together for the first time the three divas, Montserrat Caballé, Agenlika Milster and Milva, for the delight of the 5000-strong audience. Each diva wore a watch from the Glashütte Original Star collection. The event was presented by actor Sky du Mont, who visited the Glashütte Original factory earlier in the day and chose a Senator Kalenderwoche to wear during the evening performance.



Transcending Time



J+D
JAQUET DROZ

Trends

This 270th anniversary year of the Manufacture was one of strong growth for Jaquet Droz, thanks to its continuing international expansion and its introduction into the promising Indian market. Its European

activities saw a net increase and the opening of a boutique in the heart of the Petrovski Passage in Moscow marked one of the milestones of the year.

With the visit of over 300 journalists and the sale of most of its limited editions, Baselworld 2008 was a great success for Jaquet Droz, enabling the brand to present its new models to its partners and a growing number of customers. The record level of orders marked a tremendous advance on 2007.

With its assertive masculine lines, the Grande Seconde sw made a striking entry into the collection, as did the Réserve de Marche Céramique whose power reserve recalls the elegant speedometers of powerful cars, giving a touch of sporty exclusivity to this timepiece. To celebrate its 270th anniversary, the Manufacture decided to reinforce its connection with the watchmaking art of the 18th Century, offering a contemporary interpretation of the creativity and refinement of its legendary mechanical genius. The resulting Machine à Ecrire le Temps – Time Writing Machine – and the Montre de Poche, in numbered limited editions of 88 pieces, illustrate not only the brand's innovation and know-how but also its unique aesthetic and emotional approach.

Creation

Hommage La Chaux-de-Fonds 1738 > The collection Hommage La Chaux-de-Fonds 1738, made up of high complication timepieces, was enriched by several new watches. A sporty model, the Chrono Grande Date, plays upon the virility of steel, the subtlety of red gold, the elegance of black opaline and the unique grain of *grand feu* enamel. Behind the pure sobriety of its casing, the movement offers both in form and substance a veritable ode to the art of watchmaking. Presented in 2008 in a red gold version with an ivory enamel dial, the Quantième Perpétuel is a masterpiece limited to 88 pieces. To explore each dimension of time, Jaquet Droz also presented its Tourbillon Réserve de Marche, an exceptional timepiece of sophisticated avant-garde technicality.

Hommage Genève 1784 > Dedicated to classic references, the collection Hommage Genève 1784 was enhanced by a number of new models in 2008, including the Grande Heure in ivory enamel. Also produced in a *numerus clausus* of 88 pieces, it represents the finalization of a somewhat unusual project to live time differently and approach it from a new angle with, as a sole guide, the slender form of a unique blued steel pointer. A new means to find one's way in the passing of time and to seize each instant, so as to treasure it all the more...

The line Petite Heure Minute was enhanced by a new model for which the watchmakers of Jaquet Droz revisited the classical graphic forms of Roman numerals: The proud emancipated indexes leave no place for moderation, creating a sun ray perspective against the cream *grand feu* enamel of the dial. A reverse color version also exists for the delight of lovers of black dials.

www.jaquetdroz.com



In this anniversary year, Jaquet Droz also revisited the pocket watch created by the company's founder in 1785. Equipped with a hand-winding mechanical movement and endowed with a red gold case, 50mm in diameter, this exceptional timepiece offers a *guilloché*-decorated back cover, bearing the commemorative engraving: "270 ans d'Art Horloger 1738-2008" (270 years of watchmaking art 1738-2008). The pocket watch reinvents the time, that of yesteryear.

The Manufacture thus perpetuates the values that have remained unchanged since the 18th Century: an obsession with excellence at every moment of the watch's creation, represented by each link in the gold chain that adorns it.

The Grande Date in red gold completes the line. The amplitude and generosity of the date display placed in a spacious double window highlights the importance of the passing days.

Another novelty offering a power reserve indicator of 68 hours, the high complication *Réserve de Marche*, produced in *numerus clausus* of 88 pieces, presents the ever renewed classic face of the legendary pure ivory-colored *grand feu* enamel

Hommage Paris 1785 > Faithful to the brand philosophy of constantly and consistently surpassing existing aesthetic limitations, Jaquet Droz introduced two new models in 2008 to enlarge its collection Hommage Paris 1785. L'Heure Astrale is imposing through the strength of its design and the purity of its forms: its subtle asymmetry, the exquisite roundness of its case in white gold, the brightness of its precious stones and the delicate *moiré* of its lacquer. The Date Astrale Zodiaque showcases the twelve signs of the Zodiac. Against the black dial one of the twelve constellations is picked out, with each star represented by a diamond, reflecting the light during the day and shining at night, each star connected one to another by a luminescent line, tracing the form of the constellation.

Presence

With the opening of its new Russian store, Jaquet Droz pursued the development of its network of boutiques which, in Geneva, Courchevel, Kuala Lumpur, Tokyo and Macau, as well as in Moscow, greatly contribute to the growing success of the brand, now present throughout the world.

The creation of corners at the points of sale in China substantially heightened the visibility of Jaquet Droz. The brand also increased its activities in the markets of the Middle East and Eastern Europe.

The brand enjoyed a year of intense activity on the communication front, with diverse events in New York, Zurich, Dubai, New Delhi, Singapore, Hong Kong and Beijing.

**An iconic new addition
to the Swatch Group
family**



TIFFAN

TIFFANY & CO.

Tiffany Watch Co. Ltd is the latest addition to the family of prestigious Swatch Group brands. Founded in January 2008, the company is a strategic alliance between Swatch Group and the renowned New York jeweler Tiffany & Co. The watch collection, which will be “re-launched” at Baselworld 2009, perfectly complements the existing brands in the Swatch Group prestige and luxury range. Tiffany Watch Co. Ltd watches will be distributed through the Swatch Group retail network, as well as through Tiffany stores.

The President of this important new strategic entity is Nayla Hayek, Member of the Board of Directors of Swatch Group and Delegate of the Board of Directors for Swatch Group Middle East, North Africa and India.

A dedicated dynamic team has been created to support the brand’s global roll-out, based out of Switzerland. The new offices will move in 2009 to a location fitting the standing of the brand, in a prestigious villa in the “historic mile” of Biel, near to the Swatch Group headquarters.

The collection comprises the Atlas, with its legendary design, the classically stylish Tiffany Mark, the elegant Cocktail lines, as well as the emblematic Tiffany Grand. At Baselworld 2009, Tiffany Watch Co. Ltd will unveil its first newly designed collection to an expectant public.

Y & CO.

Boldness and sensuality

www.leonhatot.com



LÉON HATOT
MAÎTRE JOAILLIER 1905

Trends

Development and consolidation >

From a creative and commercial standpoint, 2008 was a year of consolidation for Léon Hatot. On the one hand, the achievements of the past year focused on expressing the variety of roles

played by today's women through developing the Joaillerie Boutique segment. On the other, they confirmed the existing synergies between Léon Hatot's watch and jewelry activities and also reaffirmed the importance of the brand universe in its various points of sale.

An accessible and contemporary jewelry dream > Signalling a definite evolution in terms of brand positioning, the new Joaillerie Boutique collections have been introduced to complement the high-end jewelry segment with its Pièces Signature and Créations d'Exception that have fascinated admirers since 1905. Léon Hatot thereby vividly conveys the spirit of the master-jeweler whose name it bears in models featuring contemporary lines that are accessible to modern women.

Timepieces and jewelry composing a single universe > While Léon Hatot has devoted a great deal of attention to its jewelry activity in recent years, 2008 was distinguished by strong development of its watchmaking activity. Here again, the models were primarily part of the Joaillerie Boutique line and embody the increasingly cross-segment and cross-product approach to the range.

In the markets > In 2008 the brand reinforced its presence in Asia, in particular in the Middle East, with the opening of the Oman market, as well as in the Far East with the opening of its second point of sale in Seoul, Korea, in an Equation du Temps boutique.





Creation

Daring femininity > In light of the many roles women take on these days, Léon Hatot has created products designed to accompany them in their everyday life. Building upon the success of its Créations d'Exception models, the brand has borrowed some of their characteristics in creating original collections within the Joaillerie Boutique line. The Papillon and Fleurs de Lotus jewelry sets have given rise to new collections reflecting the most contemporary features of their respective worlds.

Light and Color > The sparkling and colourful J'aime Toujours ring collection made its mark in 2008 by highlighting the same basic themes of contemporary appeal and accessible positioning. Opaque or transparent depending on the gems they feature, they play with light just as desire plays with women's hearts. The Trapèze J'aime watches also showcase the spectrum of different gemstone colors: the green of jade, the violet of amethyst, the white of agate, the blue or yellow of sapphire, the black of onyx and the pinkish-red of rubellite all further enhance the radiance of diamonds. Inspired by the famous *pavés* of the Place Vendôme in Paris, the Zelia jewelry collection also interprets the rich intensity of colors. Tourmaline, citrine, blue topaz, onyx, amethyst: the solitaire ring is now complemented by matching earrings and a pendant to form an exceptional jewelry set.

The essence of Léon Hatot in a watch > The Zelia collection now also adorns the wrist thanks to a new Sésame Audace watch and its surprising "corset" bracelet. In addition to this signature model, Léon Hatot's creative activity in 2008 focused on designing watch products suitable to find their place within the brand universe alongside the jewelry models. With its Chronolove watch, Léon Hatot introduces a first chronograph exuding daring sensuality. This blend of charm and self-assurance is echoed in La Garçonne watch, the very epitome of liberty and femininity. Radiating an unmistakable aura of voluptuous, light-spirited charm, the lines and volumes of these models perfectly convey the very essence of women entirely at ease with their own unique mix of strength and gentleness.

Beauty and emotion > The Créations d'Exception jewelry and watches remain in the spotlight. Issued in strictly limited series, the Trapèze watch has found its place in the Paon, Fleurs de Lotus and Rose Iribe collections. In addition to the Papillon jewelry set that made its mark on Baselworld 2008, the year also saw the introduction of the Sautoirs La Garçonne, a concentrated blend of sensual freedom and airy lightness. The emotion and the beauty conveyed by gemstones are a perpetual source of enchantment and now, after amethyst and green opal, the exclusive Pierres Magiques welcome tourmalines, peridots and moonstones for *galets* pendants directly inspired by the designs of the master-jeweler Léon Hatot.



Event in Dubai



Audrey Dana, French actress
 Arlette-Elsa Emch, Brand President
 Nelly Makdessy, Lebanese singer

Presence

An intensely personal approach... > In rethinking its events strategy, Léon Hatot displays a keen awareness of the current desire to lend meaning to such happenings, leading it to adopt an intensely “close-up and personal” approach governed by a firmly didactic purpose. The brand therefore tends to prefer events held in its points of sale, such as those organised in Riyadh or Dubai, and makes a point of recounting the genesis and the environment of a given creation. By way of example, it gave a presentation in its Parisian boutique on the theme of opals, a favorite gemstone of the Art Deco period. This event served to create more emotional ties with media representatives. In order to cultivate a special relationship with the latter, the press luncheon organised at Baselworld for the second year running once again featured this more confidential approach.

... centered on the product > Léon Hatot’s 2008 advertising campaign placed products firmly front and centre by focusing on two products in the Joaillerie Boutique line: a jewelry creation with the J’aime ring, and a timepiece with the La Garçonne watch.

Media presence > Léon Hatot’s press coverage remained fairly stable in terms of quantity, and was clearly enhanced as regards quality. The public relations work recently undertaken is bearing fruit and Léon Hatot products are increasingly becoming must-have features on the pages of the prestigious fashion and jewelry magazines.





Tradition, elegance
and sport





www.longines.com

LONGINES


Trends

2008 was a year of consolidation crowned with success after the remarkable introduction of the new Longines Sport Collection and roll-out of the new advertising campaign in 2007. Several new models completing

the Longines Sport Collection were introduced at Baselworld and new sporty visuals added to the campaign. These were met with enthusiasm from all markets.

Sales in all sectors soared to record highs, with the Longines Sport Collection reinforcing the brand's already strong position in the market, in the sectors of traditional and elegant timepieces.

The introduction of The Longines Master Collection Retrograde in rose gold underlined again the prestigious tradition of the brand, backed up with a strong communication focus on the brand's values of elegance and tradition, towards the end of the year.

Creation

Longines Sport Collection > Each of the four lines of the Longines Sport Collection, introduced in 2007, reflects in its own way the rich history of the brand and its engagement in the world of sport. Given the enormous success enjoyed by the collection last year, additional novelties were introduced in 2008. The most outstanding are the ceramic models, as well as the Longines Admiral line, a high-end timepiece for the contemporary adventure traveler.

Conquest Ceramic > This timepiece is presented as the quintessential expression of the brand's sporting elegance. Special attention has been paid to the aesthetics of the bezel, the cabochon crown and the central links, all made of ceramic. This exceptional material combines timeless glamour with novel technical features. As a subtle marriage of steel with ceramic, performance with elegance, the Longines Conquest includes technical characteristics that meet the requirements of the most demanding sportsmen and women.

Longines Admiral 24h > The Admiral series evokes the prestigious dimension of sport in which aesthetics, precision and the beauty of the action predominate. The frequent travelers and the adventurers will especially appreciate the 24h "second time zone" watches. This line introduces the subtle ambivalence of an outline that is both sober and robust, and perfectly illustrates Longines' innate ability to match elegance and performance. These values are revealed in this collection by the aesthetic purity and detailed manufacture of the automatic 24h watches and chronographs with tachymeter.

The Longines Master Collection Retrograde in rose gold > Further to its presentation in 2007 of this exceptional timepiece bearing witness to its rich horological heritage and constant striving for elegance. Longines launched this year the timepiece in an 18 carat rose gold version. This watch with its ETA automatic mechanical movement, developed especially and exclusively for Longines, has become the flagship model of a collection devoted to highlighting the watch-making traditions of the brand. A sober, elegant timepiece, it offers retrograde functions (day, date, seconds, second time zone on a 24-hour scale) in a movement with automatic rewinding: a synthesis of mechanical horological art and ease of use.



Presence

Albert Einstein's record selling Longines watch > The prestigious Geneva auction house Antiquorum honored both Albert Einstein and Longines in October when the eminent physician's gold Longines watch of 1929 was sold for 596 000 dollars in New York, becoming the most expensive Longines watch ever sold in auction. Longines is proud of its connection with this genius of modern science, who also owned another Longines pocket watch of 1943, precisely preserved at the History Museum in Bern.

Andre Agassi Foundation > Longines teamed up with The Andre Agassi Charitable Foundation (AACF) to create the Longines Elegance Scholarship Fund to promote higher education to students enrolled at The Andre Agassi College Preparatory Academy, founded by tennis legend and Longines Ambassador of elegance since 2007, Andre Agassi. The first scholarships will go towards enabling students to support their college education or fund full scholarships to the Nicolas G. Hayek Watchmaking School in Secaucus (New Jersey, USA). Longines also specifically created three very special limited edition timepieces to aid in raising funds for the Foundation.

Stefanie Graf > A new sports legend joined Longines in 2008 in the form, of the unforgettable tennis champion Stefanie Graf, wife of Andre Agassi. Perfectly personifying the fundamental values of the brand, excellence and elegance of attitude, Ms Graf is not only a sports icon but also a great humanitarian and founder of the "Children for Tomorrow Foundation". Longines is now proud to count amongst its ambassadors the most remarkable tennis duo of all time.

Longines and alpine skiing > For the third consecutive year, Longines took to the slopes as official timekeeper of the Alpine Ski World Cup of the International Ski Federation (FIS). The 2008/2009 season also marked the return of the 2006/2007 winner of the overall World Cup, as well as World Champion in Giant Slalom and Downhill, and Longines ambassador of elegance, Aksel Lund Svindal, unfortunately injured in Beaver Creek in 2007.

Equestrian sport > This year again Longines was the Official Timekeeper for the principal competitions of the prestigious Super League, with the CSIO that took place in La Baule (France), Rome (Italy), St-Gallen (Switzerland), Hickstead (UK), Dublin (Ireland) and Barcelona (Spain) as well as the CHIO in Rotterdam (Netherlands).

For the last eight years now the brand has presented the Longines Press Award for Elegance at the end of the season in Barcelona. This prize is given to the two best riders of the circuit (male and female), who have taken part in the competitions partnered by Longines. Not only the sporting prowess of the riders is taken into consideration but also their elegance of attitude (in all senses of the term) for a prize that is unique in this discipline. In 2008 the Swiss rider Niklaus Schurtenberger was the honored recipient of the trophy, with the ladies award going to the Dutch rider, Angelique Hoorn.

Longines also sponsored two of the stages (Dubai and Sharjah) of the Arab League, which brings together the best horse riders of the Arab world.

Longines was active again in the world of horse racing, as the official timekeeper for the second year in a row of the prestigious Ascot Racecourse in England. For the last 300 years Ascot has been a national institution in England, with Royal Ascot one of the high



points of the British elegant social calendar. This year Longines also became title sponsor for The Longines Handicap Stakes, the ladies race on the King George VI Day.

On the other side of the world, for the seventh year Longines continued its partnership as Official Timekeeper of the renowned Melbourne Cup Carnival – THE elegant event of the year for Melbourne society.

Roland Garros > Longines has been since 2007 the Official Timekeeper for the French Open at Roland Garros, one of the most elegant tournaments of the tennis season and one of the highlights of the French social calendar. Longines ambassadors were naturally present to promote the brand during the two-week event. The skier Aksel Lund Svindal was delighted to measure his service at the Longines Smash Corner (with all benefits going to the Andre Agassi Foundation). The Taiwanese actress, Chi Ling Lin, caused a sensation by her appearance and actress Ingeborga Dapkunaite delighted Russian clients by her presence at the ladies finals.

Longines and gymnastics > Longines has performed the timing and data-handling for artistic and rhythmic gymnastic competitions for the International Gymnastics Federation (FIG) since 1989. This year the brand was again present for the European Championships of both disciplines.



Innovate
and look
to the Future



www.rado.com



RADO
SWITZERLAND

Trends

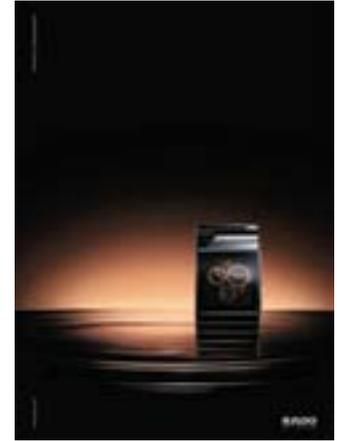
Action in continuity > Rado's activities in 2008 further supported the steps undertaken to reposition the brand. Redefined without betraying their essential DNA, the lines of the new watch collections

are more fluid and contemporary than ever, confirming Rado's positioning as the technological and design driven watch brand. The elimination of certain products, the resulting increase in average price, the reduction of the number of points of sale, combined with the opening of a number of exclusive stores were all measures taken to raise the brand's prestige and reinforce its image. In certain markets in Eastern Asia – China, Hong Kong, and Taiwan – reasserted their importance, Rado also pursued its expansion in India, and increased its activities in Europe, in particular Germany, Austria and Switzerland. The brand also pursued its intense development in Eastern Europe, Canada, Italy and South Korea.

Development in innovation > Having recognized its wide potential decades before the present trend, high-tech ceramics remains Rado's preferred material and the object of the brand's constant desire for innovation. Faithful to its pioneering spirit that has enabled the brand to push back the boundaries of watchmaking design for over half a century, Rado introduced several innovations in 2008. After much research, a new exclusive gold-colored ceramic completed the existing range. The metallization of the sapphire crystal may henceforth also be colored since Rado has invested in this field in a whole new spectrum of colors, to contrast with and highlight its legendary black.

Pursuit of a vision > Innovation at Rado is inextricably linked to its vision of the future. With the V10K, the brand transposed nanotechnologies into the reality of watchmaking, thus materializing its original vision of inalterable purity. More than a simple technological realization, this watch model opened the door to new possibilities. Rado has since then presented in 2008 a concept watch combining the high-tech diamond technology, which it alone in the watchmaking world possesses, with a new revolutionary light-weight ceramic. Its extreme lightness offers a novel and absolute comfort to the wearer, synonymous with the ultimate luxury that underlines the Rado vision.

Training for the future > In addition to its constant research into new materials of the future, Rado expresses its visionary desire by investing in the talents of tomorrow. With its strong ties to the world of art and design, the brand partnered in 2008 with different well-known universities and offered the young creators the opportunity to express themselves through concrete projects. The result was a novel, sometimes surprising, approach, which was always a source of reflection and inspiration. By offering these formative opportunities as practical case work, Rado not only enables the younger generations to transpose theoretical concepts into professional reality, which will then be fully realized, but also the brand's capacity to dream up the future.



Creation

The combined power of black and gold > Absolute colors, black and gold combine their inalterable brilliance, setting off one another. With the exclusive development of a gold colored ceramic, the brand offers its preferred material new possibilities, enabling it to express richness and sophistication. Both the Sintra and the Integral lines were completed in 2008 by a Jubilé model in this gold colored material, synonymous with lightness and luminosity.

Matt intensity > After the success enjoyed by the matt version of Ceramica, a recent innovation, Rado presented a Sintra Special Basel 2008, entirely in matt black, intensified by the details on the dial and highlighted by black Superluminova. Two other chronograph models for the lines True and Sintra also showed the capacity that this new surface treatment confers on the material to absorb the light only to restore it in a more intense and vibrant form.

Metallization for a new signature > A distinctive Rado trait, the metallization of the sapphire crystal usually reinforces the monochrome aspect of the brand's models and underlines the integration of its elements. Using this technology, the Ceramica line has been graced for the first time with vibrant colors. The glass and dial, with its sapphire crystal treated in this way offers a new chromatic spectrum. The colors and materials fuse to form one iridescent block, which highlights the black of the ceramic.

A laboratory made watch > A watchmaking milestone for having reached the same level of hardness as a diamond, the V10K was the consequence of intense R&D. The resulting concept watch is a veritable concentrate of innovations, enabling the testing of new materials, constructions and processes: an entire high-tech diamond coating with a unique matt finish, a revolutionarily light ceramic resulting from a highly technical procedure transposed by Rado into the watchmaking world, and a bracelet construction with an articulation based on a highly elastic form-memorizing alloy core.





Presence

Trilogy > 2008 was without doubt the year of the Ceramica Chronograph. Introduced worldwide, it became the new icon for Rado, due in particular to the last advertising campaign, showing the product as a triptych in a serene atmosphere of white-, yellow- and rose-gold coloring. Editorial coverage of the brand also grew enormously both in terms of articles and product shots. Rado benefited from exceptional coverage in some of the most prestigious media.

Award-winning packaging > Furthering its partnership with Jasper Morrison, the new Rado packaging received the 2008 prize in its category at the I.D. Design Review organized in New York in July. This distinction was awarded for the concepts of watch protection and revelation of the packaging when it is shut or open.

Design-focused events > Present at the Design Miami and the Vienna Design Week with a creation by the Numen / For Use group, Rado was also present at the Salone del Mobile in Milan, during which its collection Ceramica XL Colors was presented to some 200 journalists and 1500 special guests. The Milan event was also marked by the preview of the exhibition sponsored by Rado, presenting the works of students from the famous Eindhoven Design Academy. It was also in this town that the brand presented its Young Designer Award as part of the Dutch Design Awards 2008, to a talented young female designer for her contribution to the design of tomorrow and extraordinary use of material.

The Rado store signature > Among the different point of sale openings, those of Hong Kong, Dubai and Bahrain rolled-out the new concept inaugurated in Vienna and used for the “showroom”, recently installed in the Rado head office. This concept enables the products to be presented in an environment in perfect keeping with the brand’s message, and the result of this greater clarity of communication has been reflected through an increase in sales.

Art and Serenity > The 2008 press event took place in Naoshima (Japan) in exceptional surroundings, showcasing the world of art, design and architecture. In this atmosphere of Zen aestheticism, the brand presented itself with a personalized approach, encouraging its guests to rethink the fundamental elements of true comfort and quality of life. Taking them far away from the hectic everyday world enabled the brand to be transposed into a different, pure environment: the perfect metaphor to express the new Rado.

www.union-glashuette.com

The “Made in Germany” watch brand



UNION
GLASHÜTTE/SA.

Trends

Founded in 1893, Union Glashütte is considered one of the most traditional German watch brands. For many years nothing really changed for Union Glashütte and then, at the end of 2006, it was decided

to reposition the brand and relaunch it in Germany and Austria, in line with the philosophy of its founder Johannes Dürstein: “watches which have everything to make them accurate and beautiful but nothing to make them inaccessible...” Yesterday, as today, the brand’s priority is to make the watchmaking art of Glashütte in Saxony accessible to a wide public.

Distribution objectives were easily achieved thanks to a strong marketing strategy and a “new” product offering that was greatly appreciated by consumers.





Creation

Averin > The Averin chronograph is to be worn with audacity, grandeur and eloquence, to show off its impressive dimensions, combined with an extravagant square design. The unusual date displayed by a triple date indicator is accentuated by the structure of the dial.

Belisar > The characteristic detail of the Belisar collection is the screwed down flanks of the case on all watches in this line, which consists of three different models: chronograph, big date and power reserve.

Viro > The Viro collection underlines the brand philosophy of Johannes Dürstein, founder of Union Glashütte, for accessible beauty and precision, be this for a refined three-hand timepiece or an elegant sports chronograph.

Seris > The Seris collection, specifically designed for ladies offers the same precision and fine finishing so appreciated in gentlemen's timepieces. These models, with their small second dial, are true jewelry pieces on the wrist as well as being miniature mechanical masterpieces. Fine details, noble materials, and subtle finishing touches, combined with diamonds offer a taste of true luxury.

Presence

On 18th March 2008, the "new" Union Glashütte was presented to the press and launched in Dresden, in the presence of Nick Hayek (President of the Swatch Group Management Board), Adrian Bosshard (President of Union Glashütte.) and Philippe Roten (German Country Manager). Specialist watch journalists particularly appreciated the fact that the "new" Union Glashütte has stayed faithful to its roots by producing traditional classic models, whilst at the same time embarking on a new phase of innovation, with audacious chronometers to delight the public. The ETA movements, decorated, mounted and regulated in Glashütte, which are used by Union Glashütte are impressive by their originality, underlining the oscillating weight made in Glashütte, birth place of German watchmaking.



www.tissot.ch



More than a watch ...



Trends

The year 2008 marked thirteen years of continuous growth for Tissot, the world number one in the traditional Swiss watch segment in terms of volume. True not only to its traditional heritage, but also to its potential

for innovation, the brand continued to combine watchmaking expertise, cutting edge design and the use of new materials. With a broader, more versatile range of high-quality timepieces at an attractive price than any other Swiss traditional watch brand, Tissot also expressed its commitment to making excellence accessible

The T-Touch collection continues to do extremely well for the brand and in 2008 Tissot successfully pushed its touch technology to new limits with the T-Touch Expert, the watch for true adventurers.

The brand's presence in the world of sports grew even stronger. In order to underline its core values of performance, precision and setting new standards. In 2008, the brand was present at 543 sports events as Official Timekeeper and Official Watch of NASCAR, MotoGP, CBA (Chinese Basketball Association), AFL (Australian Football League) and the World Championships of cycling, fencing and ice hockey.

By opening 15 new monobrand stores and boutiques, Tissot strengthened its presence in prime locations throughout the world. Presentation and visibility were also constantly optimized in the 16 000 point of sales by implantation of more than 1200 shop-in-shops and 20 000 new ArT-displays worldwide.

The Tissot international advertising campaign used the full spectrum of media – print, radio and TV – with the *Bambino* spot integrating the voice of a child. In addition to the ambassador and the sports campaigns, a special T-Touch Expert visual was created for this new tactile product. This made it possible to set out clearly the brand's philosophy, highlighting the "Tissot more than a watch" slogan linked to the "Tissot, Innovators by tradition".



Creation

Tissot is proud to create timepieces for all tastes, from classic elegance to the latest trends; from traditional pocket watches to high-tech tactile watches, and from gold creations to exceptional models integrating sports precision.

T-Touch Expert > Perfectly equipped for adventures of the great outdoors, this new model promises to further grow the appeal of the unique Tissot T-Touch family of timepieces. The robust XL-size watch is water resistant to 100 meters / 330 ft and comes with eight new functions, including an altitude difference meter, perpetual calendar and dual alarm, making it the ideal partner for professional mountaineers and extreme skiers.

Tissot Racing > This new dynamic chronograph, inspired by modern racing cars, was launched in 2008. These watches ooze appeal for wearers with petrol in their veins. Their modernity is fuelled by contemporary materials and a distinctly high-tech silver, black and anthracite color palette with fiery red touches.

Limited editions of 4999 pieces for Tissot sports ambassadors > IndyCar driver Danica Patrick chose the PRC 100 chronograph for her special timepiece. This diamond-studded watch with a mother-of-pearl dial reflected performance and beauty in perfectly balanced measures. Engraved on the case back were both Danica's signature and the limited edition number, all kept in position by six flying stars. Orange featured strongly in the 2008 T-Race Nicky Hayden Limited Edition, dedicated to the 2006 MotoGP World Champion. This sporty watch had a sculptured, orange rubber strap and an orange background for the tachymeter. The black and orange mini-helmet presentation box bore the champion rider's lucky number, 69. The year 2008 marked Michael Owen's tenth year as a Tissot ambassador and it was not just in 2008 that the number 10 was a lucky one for Michael Owen. It was also his national team number and that is the reason why the 10 o'clock digit dominates the dial of the 2008 PRS 200 Michael Owen limited edition.



Four new ladies lines > The Styli-T, the Classi-T, the more daring Odaci-T in a three-hand and chronograph version, and the very special My-T enlarged the ladies collection in 2008. My-T has two mobile “T”-shaped elements connecting the rectangular stainless steel case to the bracelet, allowing it to sit comfortably on the wrist and to move in harmony with the rhythms of the wearer’s active lifestyle. The brand’s stunning new ambassador since the end of 2007, Deepika Padukone, captured the essence of the feminine collection with her beauty and elegance throughout the year.

Presence

In 2008, the global visibility of Tissot moved to a higher level through high-profile sporting and media events worldwide.

Australia – AFL Partnership > In 2008 an agreement was signed with the AFL (Australian Football League) to create the Official Watch and become the Official Timekeeper. This is the sport with the highest attendance in Australia and will contribute to an important Tissot presence in Australia.

USA, Indianapolis – IndyCar and MotoGP > Tissot sports ambassador Danica Patrick endeared herself to the world when she made history by becoming the first woman ever to win a race in the sport of US open-wheeled racing by clinching her victory in the Japan 300. In anticipation of the Indy 500 and to pay homage to Danica, Tissot was proud to announce a two-year contract extension at an event in Indianapolis in May 2008. In September Danica Patrick was again in Indianapolis for an event with Nicky Hayden as Tissot celebrated the return of international motorcycle racing to the Indianapolis Motor Speedway. Each of the athletes presented the other with their Tissot limited edition watches, bearing their names, and talked about their two worlds. Danica got a chance to see the world of MotoGP through Nicky’s eyes as she toured the garages and watched the qualifying rounds. She later presented the Pole Position Award winner with a Tissot watch. This was the first time that a celebrity presented an award to the winning rider during the course of the MotoGP season.

UK – 10 years with Michael Owen > Tissot congratulated its ambassador Michael Owen on 10 years of collaboration, excellent partnership and faithful commitment to the brand. This was celebrated on the occasion of an exciting match in Newcastle, where Tissot President, François Thiébaud, presented Michael Owen with the Number 10 of the limited edition timepiece developed in his honor.

Canada – a new Ice Hockey ambassador > The brand signed the young Ice Hockey and NHL Draft 1st Overall Pick Steven Stamkos, as brand ambassador. Tissot, the Official Timekeeper of the IIHF Ice Hockey World Championships since 1996, partnered with this young, successful and dynamic Canadian sports personality throughout his quest to reach his professional goals. Tissot also launched a special Steven Stamkos limited edition watch bearing his number “91”.



Minimalist and Contemporary



Trends

A true fashion empire of universal appeal, Calvin Klein Inc. celebrated its 40th anniversary in 2008. Four decades of minimalist elegance. A name often evoked simply by two renowned letters, ck, to which the word "watch" was added in 1997 and "jewelry" in 2004.

For eleven years the pure and contemporary lines of the ck watches and jewelry, resulting from the fusion of talents of Swatch Group and Calvin Klein, continue to touch the heart of a notoriously fickle public. The Swiss Made brand consolidated its leadership position in the very crowded and competitive segment of fashion watches with excellent growth in 2008. Exceptional results accompanied the creations born of a special combination of rigor and glamour, of purity and fantasy in an inimitably contemporary style.

The new 2008 international advertising campaign of ck watch & jewelry features Lara Stone, one of the five most solicited top models in the world. In an experience of exceptional intensity, the Milk Studio in New York, where the photo shoot took place, witnessed magic moments, exchanged glances, images of conviviality and instants of truth. The perfect meeting of two worlds: fashion and watchmaking.

The ck watch & jewelry boutique in Time Square, Hong Kong, opened on 10th October 2008, is the first of its kind in Asia and the second in the world, after the London boutique in Molton Street, inaugurated in May 2008. Through their conception and lay-out, these boutiques magnificently reflect the image of the brand and its modern contemporary style, transposing the urban minimalism of the Calvin Klein clothing stores. The creation of such spaces constitutes a further stage in the international development of ck watch & jewelry.







Creation

Classic watchmaking elements, references to modern art, architecture and design, all the signature details of ck watch & jewelry – leather, sparkle, metallic glints – are perfectly in tune with modern trends. The resulting collections glorify the everyday, accessories named desire. An unparalleled way to combine functionality and glamour. Elegant and modern, the watch and jewelry lines of ck gloss stand alongside the cool sophistication of the collection ck grid. Truly feminine styles, with delicate lines and a unique simplicity, characteristic of a demanding clientele who like to mix their styles but always favor refined authentic design.

Present in over 60 markets, ck watch & jewelry intends to pursue its development in the spirit, and style of Calvin Klein, following in the footsteps taken by the brand for the last forty years.

Presence

Totally in line with the spirit of Calvin Klein New York, the new ck watch & jewelry stand at Baselworld 2008 enabled the many visitors to appreciate the sober luminous showcasing of the watches and jewelry of the lines ck and Calvin Klein Jeans, as well as a number of unique diamond-set pieces. An ideal setting to reinforce the brand image.

The press rendezvous organized for the last few years just before Baselworld have become events that the European and Asian fashion media look forward to expectantly. The day after the Lantern Festival, which marks the end of the Chinese New Year, ck watch & jewelry

therefore welcomed in Shanghai all the leading fashion journalists from Japan, China, Hong Kong, Taiwan, Singapore, South Korea, Malaysia and Thailand.

In Europe, Istanbul – after Geneva, Venice, Anvers, Rome and Madrid – was the chosen venue from 12th to 14th March for the 2008 edition of this annual rendezvous. The presentation of the collections ck and Calvin Klein Jeans 2008 in the former palace of Esma Sultan charmed even the most demanding of the invited journalists. They carried home with them the memory of the contemporary nature of the brand whose universality was symbolically evoked by the venue on the European coast of the Bosphorus just opposite Asia.





Glamorous Elegance

BALMAIN
swiss watches

Trends

Sales of Balmain Swiss Watches continued to grow worldwide in 2008. A major step for the brand's future expansion was its launch in China in December.

The new 2008 collections, launched at Baselworld met

with great success, with a special interest for the diamond and steel models, available both in two-hand and chronograph versions, and promoted world-wide through elegant advertising featuring the new Miss Switzerland.

In addition, the brand also unveiled its new corporate image at Baselworld: a return to its roots with a combination of black and white and distinctive arabesques design, inspired by the sumptuous embroidery of the original Balmain fashion house. This new image was greeted with enthusiasm by all markets, as it underlines the elegance that has always been the trademark of the brand.

A special After-Sales Extranet site was created to help agents, affiliates and retailers to order on-line their spare parts and repairs. This new tool for Balmain gives a strong sign both to the trade and the final consumer that they can rely on professional and accurate customer service when buying a Balmain watch.

Creation

Trendy > Balmain launched the new "Balmain chain", a total novelty for the brand with its polished steel chain link bracelet providing a striking fashion timepiece of contemporary elegance.

Downtown for Ladies > The Elysées collection has been a best selling line for the brand since its first creation in 1997. This new chronograph version, Elysées Chrono Lady, combines all the qualities of elegance and refinement with a contemporary twist, perfectly suited to the modern active woman.

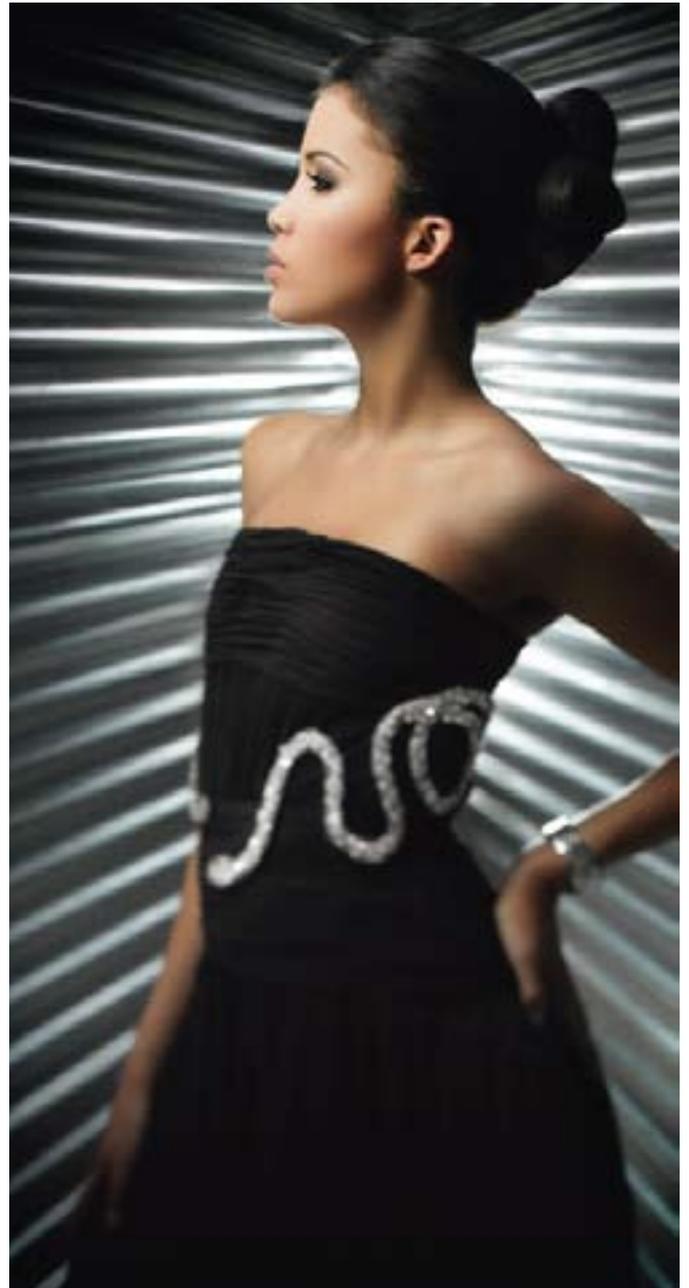
Downtown for Men > Balmain launched its new Madrigal Chrono Gent XXL, in a design that combines urban trends with elegant chic, its forceful fluid lines offering the perfect accessory for the busy executive for business and leisure



Presence

The major event of the year for Balmain Swiss Watches was again the election of Miss Switzerland. In September 2008 the brand renewed its partnership of the event for the fourth consecutive year, presenting to the winner, Whitney Toyloy, a specially engraved Elysées Chrono Lady in polished steel with 42 diamonds. The effigy of the new Miss Switzerland will be used to promote the brand worldwide, as a symbol of contemporary elegance and beauty.

The retail network in Balmain's key market of the Middle East was greatly expanded, particularly in the United Arab Emirates (UAE) market. A focus on upgrading the image of the brand, in conjunction with the introduction of the new display and new corporate image led to very positive results and increased sell out. The new collection and accompanying promotional material were extremely well accepted by the trade, and led to an increase in space at the point of sale and more visibility in the windows. Awareness was also increased and a new client base attracted thanks to a number of roadshows that took place in Kuwait and the UAE throughout the year. Balmain continues to grow its client base in the region also through a push on the development of new markets such as Turkey and Iran.



T

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Trends

2008 can again be described as a record year for Certina. The brand continued to grow worldwide, despite the uncertain economic environment in the second half of the year. Important market share was gained

in its principal market of Europe, especially in Switzerland where the brand enjoyed above-average growth. Certina is now present in 67 countries and is perceived as THE Swiss sports brand in the mid-price segment, with the customers particularly appreciating the excellent price/ quality ratio of its products.

Although only present in China since 2006, Certina managed to acquire a number of new commercial partners and sales achieved were far superior to expectations, in particular due to the popularity of the automatic sports models with Chinese consumers.

Certina chose the second race of the Formula 1 season in Kuala Lumpur as the exceptional opportunity to herald its entry into the Malaysian market.

Important growth was also experienced in the Middle East, where fine sports timepieces are particularly appreciated.

Creation

DS Podium Valgranges > Since 2004, the DS Podium is one of the Certina creations that has enjoyed the most success. The DS Podium Valgranges with its distinguished sporty look, 44mm diameter and 16 ½" ETA Valgranges movement is the worthy flagship of the line.

DS Podium «Big size» > The new DS Podium watches, which stand out from the former models by the generous dimensions of their case, their strong design and their high-class quartz movement, have been extremely well received by customers since their launch.

DS Podium Square Lady > Both traditional and contemporary in design, this sporty classic chronograph for ladies has a strong personality and unique style, with its exclusive dial and domed sapphire crystal and an attention to details, particularly appreciated by Certina customers.

DS Furious > Positioned as a line for extremist sports, DS Furious is dynamic and contemporary in design with a retrograde chronograph and seeks to attract the younger Certina customer.



Presence

Extension of partnership with BMW Sauber F1 Team > At the start of the year, Certina extended its partnership with the BMW Sauber F1 Team, with the drivers now sporting the Certina logo both on their helmets and overall cuffs, the perfect promotion of the values of precision, dynamism, innovation and sport, that they share with the brand.

Robert Kubica, national hero of Poland > Certina was already sponsoring Robert Kubica before he started his F1 career. The brand is proud to continue its partnership with this talented Polish driver, whose first victory in Montreal for the BMW Sauber F1 team sparked off a veritable euphoria in Poland. Press and retailers turned out to greet their “national hero” at the Certina event in Warsaw.

Shanghai sports action > After a presentation of its new products, Certina invited its most important Chinese retailers to experience the brand’s sporting spirit on the go-karting track.

3, 2, 1 & Go! Media event in Vienna > In Vienna, the test pilot for the BMW Sauber F1, Christian Klien, showed off his talent as a watchmaker, winning the race against the clock to shorten a watch strap, in competition with Certina President, Adrian Bosshard, and Austria Country Manager, Rudolf Semrad, who had to change the four tyres of an F1 car. The event was animated by the legendary F1 commentator, Heinz Prüller, and afforded excellent media coverage for the brand.

90 years measuring time



Trends

Founded on 11th November 1918, Mido celebrated in 2008 the 90th Anniversary of the brand with anniversary events around the world.

The positive trend of the past years continued with double-digit growth. Asia was once more the fastest growing region for the brand but sales grew also in Europe, the Middle East and the Americas, with distribution in the United States successfully expanded after the brand's re-launch there in 2007.

Limited and special edition models were presented during Basel-world to mark the anniversary year, as well as a new collection "Belluna", perfectly illustrating the brand's values of timeless design combined with high quality automatic movements.

Creation

All Dial > The design of this collection, inspired by the Coliseum in Rome, has been the key success factor behind the Mido All Dial. In 2008, carbon fiber and pink PVD cases were added in response to market expectations. A special limited edition of 900 pieces was launched for the 90th Anniversary with a black PVD case, carbon fiber dial and COSC certificate. The collection was also enhanced by the introduction of the bicolor Chronograph.

Baroncelli > Larger diameters and new variations boosted this collection still further in 2008. With the new Baroncelli steel chronograph Mido successfully perpetuated the trend for traditional elegant chronographs. A Baroncelli Jubilee Chronometer with an Arabic dial in steel and pink PVD was launched to mark the 90th Anniversary of the brand. Two references in pink PVD were also added to the popular Power Reserve line.

Belluna > Inspired by New York's Chrysler tower, reflecting the Art Deco period of the last century, this new collection integrates all the key ingredients of Mido: timeless design including a large opening for the dial assuring good visibility of the time, combined with high quality, precise, finely decorated automatic movements. The gents collection is exclusively available as a COSC certified Chronometer. The ladies models, also with automatic movements, offer elegant mother-of-pearl dials.

Presence

With a clear focus on the existing markets, the brands' visibility was increased by strengthening the distribution and enhancing communication, using the anniversary as the main theme within the 2000 points of sale around the world, with special activities, decoration and roadshows. Proud of its history, Mido held a number of events in key markets to celebrate this anniversary and to strengthen the brand identity.



www.mido.ch



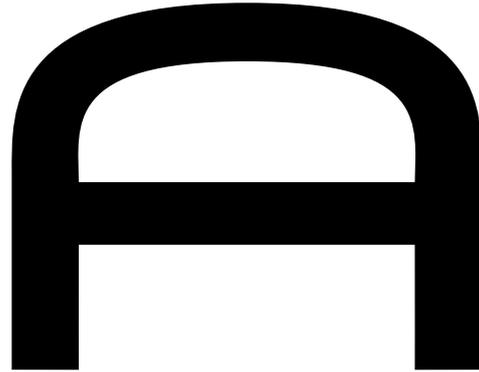
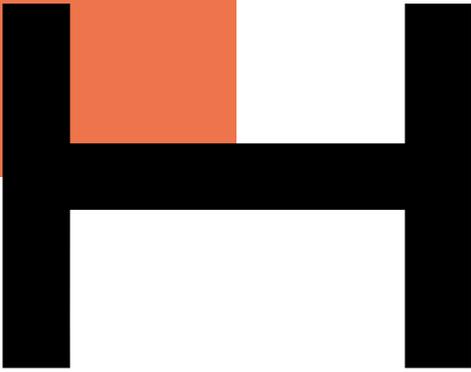
Bangkok, Thailand > One of Mido's oldest and most successful markets, this was the first place to host an anniversary event in the renowned Mandarin Oriental hotel.

Taipei, Taiwan > Although Mido only entered this market in 2004 the brand has experienced immediate success. The past and the future of the brand were presented here in a special jubilee ceremony.

Jeju island Korea > More than 200 guests from China and Malaysia enjoyed an outstanding evening reflecting back on the past 90 years on the exact evening of the anniversary, 11th November.

Mexico City, Mexico > The Grand Hotel de la Ciudad de Mexico City at the famous Zocalo (main square) in the historical part of Mexico City hosted Mido's celebratory party, with several hundred antique Mido watches on display, borrowed for this event from Mexican customers.





Trends

Hamilton enjoyed a very successful year in 2008 with significant growth. The charismatic presence of the brand was felt around the world, driven by edgy product design and high-profile events.

This year saw the long-standing relationship between Hamilton and Hollywood develop to embrace the urgent issue of protecting the planet. Through a creative collaboration with Harrison Ford, celebrated actor and Vice Chair of Conservation International, Hamilton introduced a trio of watches – Khaki Conservation. Proceeds from sales of these timepieces will support the projects of Conservation International.

As THE movie brand, Hamilton extended its cinematographic career to roles not only in major Hollywood productions but also in European and Indian movies. Alongside appearances in *Get Smart* on the wrist of Steve Carrell and in Spike Lee's *Miracle at St Anna*, the distinctive Hamilton products featured in the UK films *Edge of Darkness* and *Exam*, in France in *Babylon AD*, *JCVD* as well as in *MR 73* and in India in the Bollywood movies *Saas Bahu* and *Sensex*.

Creation

In 2008 Hamilton launched many eye-catching models to its dynamic range of watches, comprising the American Classic and Khaki families.

X-Copter > Continuing the established aviation heritage, the Khaki X-Copter is focused on helicopters, with both its design and functionality. Flight preparation begins with a practical Fahrenheit/Celsius temperature converter and “ascends” to a Maximum Take-off Weight (M.T.O.W.) reminder.

Khaki BeLOWZERO > At the other end of the scale, in the world of submarines, the BeLOWZERO line is water-resistant to a depth of 1000 meters. These high-tech diving watches are equipped with a helium escape valve, a one-way valve that releases any helium that may have been trapped inside the watch housing to escape as the diver ascends. A 5.6mm convex crystal, reminiscent of a smooth bubble, is also perfectly prepared for underwater adventure.

Jazzmaster Open Secret > The Hamilton American Classic collection was enriched in 2008 with a particularly eye-catching model, the Jazzmaster Open Secret auto chrono, which turned timekeeping into something of a tease. A glance at the face of the watch reveals part of the Swiss auto chrono movement in action, leaving the rest to the imagination. This watch is the ultimate statement of sophistication with a twist.

Presence

Behind the Camera Awards > The Hamilton involvement with movie making covers the extremely broad spectrum of “heroes” who make a movie possible. For the sixth year running Hamilton honoured in November 2008 in Los Angeles the achievements of the talented individuals who work hard behind the scenes to create the movies’ emotional and visual impact. The Behind the Camera Awards, now held in collaboration with *Hollywood Life Magazine*, paid tribute to ten off-screen heroes. The actors Harrison Ford, Lucy Liu, Anne Hathaway, Ryan Phillippe and the director Christopher Nolan, presented some of the honourees, including stunt choreographer, property master, screenwriter, true grit director and cinematographer. Movies applauded in the 2008 ceremony included *Revolutionary Road*, *Iron Man* and *Rachel Getting Married*.

Aviation Meets > The intrinsic Hamilton aviation theme also featured strongly during the year. Air Race pilot, Nicolas Ivanoff, flew high the Hamilton colors on board his acrobatic airplane Extra300 SP. Hamilton was also main sponsor at the Royal Singapore Air Force Open House, as well as exhibitor at Tannkosh in Germany, Europe’s biggest fly-in.





The American Brand since 1892

www.hamiltonwatch.com





flik flak

Trends

In 2008, Flik Flak enjoyed a growth in sales in all international markets and continued to maintain its position as leader in its segment, as the watch most worn by children throughout the world.

After a history of 21 years, Flik Flak has now officially come of age and marked the event with the launch of its Flik Flak Full-Size, aimed at children who wish to resemble their grown-up parents, and yet still appreciate these shock resistant Swiss Made timepieces, with their robust steel cases, and scratch-resistant glass dedicated to children's needs.

Flik Flak also continued its successful collaboration with Warner Bros. with the characters of Tweety, Sylvester, Wile E Coyote, Scooby-Doo, Batman and Speed Racer, with innovative watch designs, packaging and accessories. These greatly contributed to growing Flik Flak brand awareness to encompass a wider audience. A new agreement with Hasbro and the characters of "Littlest Pet Shop" also met with great success.

Creation

Flik Flak Full-Size > This new collection with new shapes and materials was launched in 2008 in response to desires of children to have watches like those of the grown-ups, whilst at the same time staying true to the brand's values of teaching the rudiments of time telling to children of all ages. More fun than ever, this new collection combines simplicity with "cool" designs, new dials and synthetic leather bracelets with "intelligent" clasps, as well as other "grown-up" touches, such as a wider diameter case for the Scuba model.

Presence

The Kindercity Party in Zurich > To celebrate the traditional feast of children, St Nicholas' Day on 6th December, festivities were held at Kindercity in Zurich with numerous fun educational activities, including an ARTelier workshop with famous artist Ted Scapa, all in line with Flik Flak's motto "Time is Fun".



At 21 Flik Flak comes of age

Flik Flak enters the world of luxury watches > Flik Flak took part in the Salon des Belles Montres 2008 in Paris at the Carrousel du Louvre, side by side with the great names of fine watchmaking, offering a number of workshops on learning to tell the time.

A friend to suffering children > An alliance with the Astrid Lindgren Children's Hospital in Sweden underlines the fact that Flik Flak is the watch for children wherever they are.



www.flikflak.com



Fashion Watches

endura

Further to the global licensing agreement signed with Timberland in 2005, this year saw a strong emphasis placed on new and innovative product developments, notably 4-Eyes and a special edition of its highly successful HT2 collection, with a commemorative watch designed as a tribute to the famous global explorer, Ernest Shackleton. A creative and forceful marketing

campaign supported the global positioning of Timberland as a worldwide recognized leader in outdoor sports and activities.

With Mango, whose global licensing agreement was also signed in 2005, strong focus was placed on positioning the brand as a leading, fashion-conscious trend setter in the entry market segment for watches. Close collaboration with the established fashion house ensured that Mango watches remained at the cutting edge of seasonal looks in terms of color and trends, with the brand also positioned prominently within Mango fashion stores worldwide, for added impact and presence.



www.endura.ch

Presitigious brands, prestigious boutiques



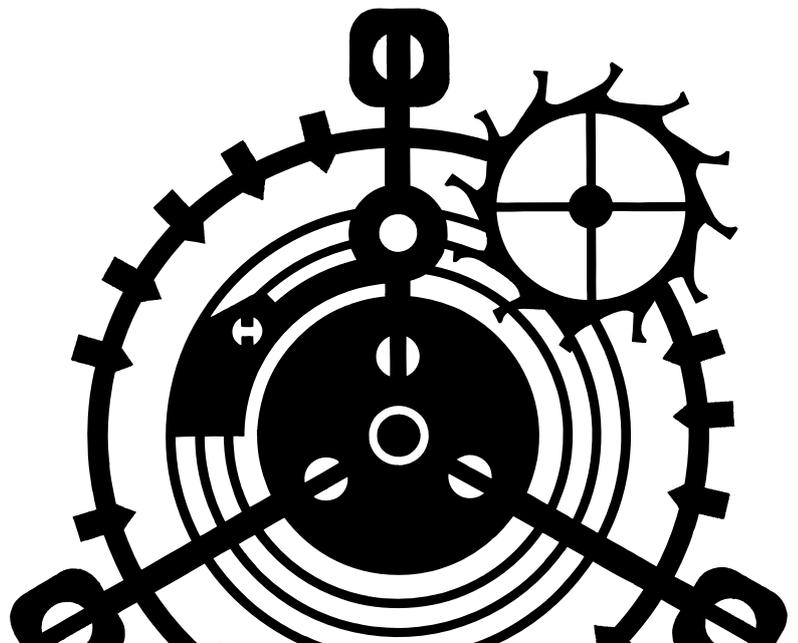
Tourbillon (The Swatch Group Les Boutiques Ltd) enjoyed an excellent 2008, once again reaching the highest recorded sales since the creation of the company.

For the third consecutive year, the Tourbillon sales network continued to develop with the inauguration of new boutiques in Singapore, at the Grand Hyatt and Park Life in Beijing, at the South Coast Plaza in Los Angeles and in Nice. The commercial success arising from these boutique openings was also the occasion to discover or reinforce the Swatch Group's presence in these new locations. At the end of 2008, the Swatch Group counted 17 Tourbillon boutiques across the world, with an 18th boutique planned to be opened in New York in spring 2009.

The harmonization of the high profile events program rolled-out in almost all the Tourbillon sites resulted in a marked increase in brand awareness, an augmentation in media coverage and a rise in

turnover. The prestigious network of Swatch Group boutiques was also able, on a number of occasions, to present to its customers the most exceptional timepieces of its brands: Breguet, Blancpain, Glashütte Original, Léon Hatot, Jaquet Droz and Omega, as well as some exceptional Swatch timepieces. Dedicated watch collectors appreciated the unique opportunity afforded to them to view so many fine timepieces together under the same roof and in such exceptional surroundings. These different events enabled the company to reach its objectives, increasing the number of contacts with customers and improving the brand awareness of the boutiques and the prestige brands of the Swatch Group in the markets.

The tight collaboration between Tourbillon and the brands for all matters concerning sales, marketing and brand representation again played an essential role in the development capacity of the company.



TECH

All aboard for a long journey



TECH-AIRPORT

Leader in the French market of airport watch and jewelry distribution, Tech-Airport greatly consolidated its external growth throughout the year. In four years the number of points of sale has increased from 6 to 26, making Tech-Airport an expert in airport travel retail, based on

a privileged partnership with its suppliers.

In 2008, the main Paris airport Roissy-Charles de Gaulle underwent a number of changes in its flight plans and had completely to rework its flight mix in the two principal terminals. After a full year's activity at Nice Airport (Nice-Côte d'Azur), Tech-Airport can pride itself on having risen to the challenge by offering a product mix suitably adapted to this new market. Since March 2008, Tech-Airport is also active in Nantes (Nantes-Atlantique Airport), its first presence in a regional airport.

2008: a good year for external growth > In January Tech-Airport took over, by invitation to tender, five points of sale at Orly Airport, to the South of Paris, to which three new boutiques were added, negotiated by mutual agreement: two monobrand Swatch stores in Orly Sud opened in July and a multibrand of 70 m² (to be opened in Spring 2009) in Orly Ouest. In March a multibrand boutique was opened in Nantes airport and an offer to tender accepted in July for Vienna airport. With its first presence through a showroom at the Tax Free World Exhibition, Tech-Airport enjoyed an enriching week, giving rise to intense interest and preliminary discussions with a number of airport authorities.

Thanks to its extensive experience in France, Tech-Airport now has all the necessary maturity and legitimacy to develop at an international level. As a first step to widen its activities beyond the French borders, Tech-Airport will concentrate its efforts on the European market, adapting itself through the diversity of its product offering, the pertinence of the brands for the market concerned, the flexibility of the architectural concept and its excellent customer service.

2009: First steps towards an international presence > The opening of a multibrand boutique at Vienna's International Airport at the end of 2009 will mark the first international presence of Tech-Airport.

Accelerating its development, Tech-Airport is responding to an increasing number of offers to tender and propositions of partnership. At first focused on European airports, the company is at present studying projects in Northern and Eastern Europe. 2009 promises to be a turning point in Tech-Airport's expansion as it positions itself to being present on the international scene.



THE Place to spend time in Geneva



The year 2008 at the Cité du Temps produced a spectacular living kaleidoscope of exhibitions and events with art displays, interactive workshops and exhibitions exploring worlds as diverse as Bond Villains with Swatch and Mongolian art, as well as conveying the world of

sport. Situated in the heart of Geneva, the Cité du Temps is now well established as THE location in the city to spend the world's most valuable commodity, time.

Artistic highlights included an exhibition of photographs by Yoshi Shimizu, focusing on Indonesian Wayang puppet theatre, sanctioned by UNESCO as part of an initiative to raise awareness of the value of intangible heritage and the need to safeguard its future.

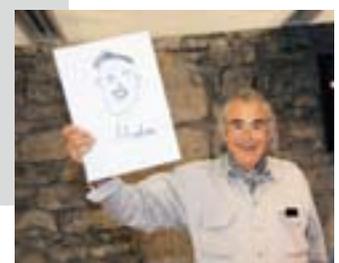
The 2008 summer of sports was kicked-off in June with an interactive, public art event dedicated to football in a specially created version of street painting – “field painting”. “Players” of all ages and talents helped themselves to artists’ materials and were free to create football-themed masterpieces on huge canvases and white footballs. Celebrities such as Bertrand Piccard, Solar Impulse President and pilot, leading architect Mario Botta, and base jumper Géraldine Fasnacht, joined in also with their artistic talents. As the

Official Timekeeper of Beijing 2008, Omega succeeded in bringing the Olympic spirit to Geneva in a special exhibition dedicated to the demanding discipline of sports timekeeping past and present.

2008 ended and 2009 was heralded in by a festive season's greetings card produced for the Swatch Group, designed by Geneva school children during an art class event with artist Ted Scapa earlier in the year at the Cité du Temps.



www.citedutemps.com





FIAR
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ASSEMBLY S

Dress Your Body (DYB) (1)

An exceptional building > 2008 was marked for DYB by the inauguration in February of the new Swatch Group factory of jewelry, fine jewelry and the applied arts. This takes the form of an exceptional building, which now houses in Cormondrèche (Switzerland) the different departments of the company. Work undertaken in 2008 enabled the factory to continue to develop its competences in a number of different applied artistic professions, in response to the demand from different Swatch Group brands so as to reply to their constantly increasing needs. The synergies resulting from the close collaboration between the different departments now grouped under one roof proved to be very positive.

DYB Bijoux > The entity DYB Bijoux proffers its expertise and know-how in the creation of jewelry and fine jewelry lines. In 2008, DYB Bijoux developed new collections for ck watch & jewelry and for Swatch, as well as unique pieces of jewelry and fine jewelry for Breguet, Léon Hatot and Omega from the design stage right through to production, combining beauty, fashion and refinement. For the first time all together in one place, the product managers, designers, model makers, technicians and jewelers can gather in the "idea box", a specially conceived room for creative meetings, where new trends are identified, and ideas exchanged and realized through the know-how of the specialists present.

DYB Sertissage > Installed in its new premises, the volume of work undertaken by DYB Sertissage continued to grow. The demand for gem-setting from the different Swatch Group brands again required the hiring of new personnel as well as the setting up of a training program integrating apprentice gem-setters, in partnership with the Swiss applied arts schools of the Ecole d'arts appliqués in La Chaux-de-Fonds and the Haute Ecole d'art et de design in Geneva.

Both the hand engraving department and the unit responsible for hand bevelling were enlarged to respond to the growing demand from Breguet for decorated movements. A close collaboration was established with the Breguet Manufacture in the Vallée de Joux so as to reinforce competences in this highly strategic area of activity.

2008 was also characterized by an unprecedented demand for the development of fine jewelry pieces. In order to satisfy these growing needs, the CAD/CAM department hired a number of new personnel and acquired additional tooling centers. These new production resources will eventually enable DYB Sertissage to offer its customers a full set of services from 3D development to delivery of finished gem-set components – bracelets, cases, jewelry pieces – including direct tooling into the precious metal, preparation for gem-setting, gem-setting, polishing and final assembly.

DYB Manufacture & Casting > The entity DYB Manufacture & Casting is made up of highly qualified craftsmen and master-jewelers. Their competences and close synergies with other departments of the company enable DYB Manufacture & Casting to offer brands the essential high level of technicality and quality required, from an image standpoint, in the sector of fine jewelry. During 2008, the workshop created unique pieces and prototypes for Breguet, Léon Hatot and Omega, as well as part of their jewelry collections. The regrouping of the different production activities in Cormondrèche has enabled a rationalization of production flows and the inclusion of the casting activity. DYB Manufacture & Casting thus now has as its disposal the full mastery of its production process.

DYB Gems > The entity DYB Gems is the competence and purchase center for all Swatch Group brands for everything relating to diamonds, precious stones, and fine or ornamental gems. Responsible for the purchase of all gems for the group, DYB Gems is comprised of gemologists and specialists, trained in the most prestigious institutes and laboratories. These individuals offer their expertise in the fields of gemology, stone cutting, and their excellent knowledge of the gem-supplying markets. Working in accordance with the most stringent norms, DYB Gems also guarantees the quality of the stones used by all the Swatch Group brands and ensures that their sourcing does not go against the Kimberley agreement, which excludes the use of gems coming from conflict areas. In 2008, the entity widened its field of competences and reinforced its team of specialists, building on the synergies existing between gemologists and gem-setters. Involved very early on in the process of new product development, DYB Gems provides a precious support in the selection, creation and purchase of the gemstone required, according to the realities of the markets, and then supplies the brands, grading and delivering the stones according to the needs of its customers.

DYB Manufacture genevoise > The entity DYB Manufacture genevoise brings together several different professions linked to the conception and production of watches and fine jewelry for Swatch Group brands. Its activity consists essentially of the mechanical machining of timepieces produced in limited quantities and the realization of unique jewelry pieces or jewelry models requiring a certain level of technical expertise.

DYB





ETA Manufacture Horlogère Suisse (2) www.eta.ch

The large number of investments made by Swatch Group during 2008 enabled ETA to pursue the improvement of the quality of its Swiss Made movements as well as the development, industrialization and production of its products. These investments were in personnel as well as in the means, sites and processes of production.

Means of production and industrialization > Throughout the year the particularly high demand for mass-produced mechanical movements necessitated important investments in order to maintain the high level of quality for the volumes produced. The major increase in activity arising from specialties and manufactured movements also mobilized important resources, both human and financial. Amongst others, the set-up of robotized operations guaranteeing an exclusive piece by piece treatment contributed to perfecting the care taken in the production of certain components, used notably in some Omega movements. Investments in the movement decoration segment proved to be indispensable in order to meet the increasing demand for personalized movements.

A high level of activity was also registered in the domain of high quality quartz movements in 2008. An increase in production was the result of the enormous success encountered by certain specific movements, such as the E48.351, found in the Tissot T-Touch Expert, for which production quantities were doubled in comparison to the launch period in 2007. The development of such high technological value-added products also necessitates the putting in place of adequate means and constants at an industrialization level.

The launch of the new plastic chronograph by Swatch was able to take place without compromise and according to the desired quantities. This excellent result was obtained due to the mastery of the means and processes in all the domains. The technological and aesthetic evolution of the whole collection was rendered possible thanks to important investments linked both to the production of cases by metal injection (MIM) and to the digital printing of the dials.

These investments linked to production and industrialization directly contributed to the increase in quality of all Swiss Made ETA-produced movements.

Development of human resources > The success of 2008 also resulted from the commitment of the men and women who work for ETA. A large number of additional positions have been created over the last two years in order to decrease the time spent on each piece and to meet the demand for specific movements. A vast training program has been put in place to prepare the new employees for the numerous specialized skills required. The setting up of a plan of versatility of competences, optimized through on-going training, reinforced both the flexibility of the persons concerned as well as their mastery of the different processes.

Production sites > During the year a number of production sites were optimized, or enlarged to ensure the transformation of blank production to that of movements.

Further to the purchase at the end of 2008 of the watch component branch of the company Burri SA, a new production line was integrated into the organization, becoming factory N° 15. Based in Moutier (Switzerland), this site will essentially produce parts for mechanical movements. ETA now benefits from the experience of this former partner who had been a supplier for many years to a number of Swatch Group companies. The acquisition of machines and real estate as well as the transfer of employees also reinforced the production of mechanical watch components.

Quality > Investments made by ETA in 2008 enabled its quality control laboratory to strengthen its homologation processes for its movements and watches. The resulting benefits have enabled homologation times to be greatly decreased and to improve the quality of simulations under real conditions.

The validation of the Swatch collections was also optimized since it is now possible to test each of these in detail even before they reach the market. Differences in quality within the same collection can also be detected before its launch.

These steps have contributed to the on-going improvement in quality of all watch components and movements produced by ETA.

François Golay

www.francoisgolay.ch

The company François Golay centers its activity essentially on the production of wheels for watches, from the "standard" wheel to the very high level wheel, covering four different degrees of quality. The company also undertakes profile turning for complicated timepieces. The strong point of François Golay is its light administrative infrastructure, concentrating its investments on material, machines and tooling equipment, utilized by a closely-knit team of very empowered workers. François Golay supplies all the big names in Swiss and German watchmaking at all levels, from mass production to the highest range. The company employs 125 highly qualified personnel. The pool of ultra-modern machines includes, for example, 23 Tsugami CNC lathes. François Golay is a fully-owned company of the Swatch Group since June 2008.



VALDAR SA



Frédéric Piguet (3)www.fredericpiguet.ch

Frédéric Piguet had an exceptional year in 2008 on a number of levels. Founded in 1858, the manufacturer of prestige movements reached its 150th year in the best of conditions, enjoying another year of excellent turnover. Marked by a celebratory event in July and an Open Day in September, this jubilee year also saw the launch of its internet site – www.fredericpiguet.ch – and a new company newsletter, as well as the worldwide preview of the first ever karussell movement, whose carriage carries out one full rotation in one minute.

Production of watch components and movements > Technical development and production capacity were essentially driven by the work rate of the R&D department and the technicality of the newly created calibers. The growing complexity of the projects has led to a need to optimize production methods and to increase technological independence, with competitive analysis playing a key role. All the production means planned for 2008 were able to be integrated, providing the company with a pool of machines perfectly adapted to its type of activity. The infrastructures also benefited from an improvement in working conditions and surroundings, notably through the complete refurbishment of the watchmaking work tables. The creation of a specialized training program and the roll-out of a rigorous and transparent quality policy, for both the production teams and the supplier network, also contributed to improving the level of customer service.

Research and development > The developments realized by Frédéric Piguet in 2008 – basic movements, grand complications, additional functions and mechanisms – were in response to, and often in advance of, market tendencies. The ever more ambitious targets in terms of energy efficiency for mechanical systems to be integrated into increasingly small and complicated watches, stimulated the ingenuity of inventors and technicians alike. The result was the development and homologation of around twenty projects, often realized in record time, thanks to a special in-house logistics and development system. In response to the increasing complexity of its products, the company also reinforced its R&D structure and modernized its design tools. In spite of a limited time scale and the integration of young engineers into the construction team, the company managed to improve the reliability of its new calibers and mechanisms by following a rigorous series of development processes and through the integration upstream of the different sectors of production concerned.

New products > Caliber 225: Caliber equipped with a karussell carriage, automatic. Caliber 4063D: Caliber 1150 4Hz, automatic with hours and decentralized minutes at 12h, second hand at 6h and power reserve at 9h. Caliber 2615: Manual caliber 15^{mm} extra-thin with hours and decentralized minutes at 12h. Caliber 5615D: Manual caliber 15^{mm} extra-thin with perpetual calendar, discs for days, months and years, and sapphire moon-phase.

Valdar (4)www.valdar.com

After several years of intense growth, Valdar, the specialist in high value-added micromechanical products, managed to maintain in 2008 a high level of activity and a strong order portfolio for the end of the year, despite the uncertainties of the economic environment. The production capacity of its site in L'Orient, in the heart of the Vallée de Joux (Switzerland) no longer being sufficient to meet the demands of the most prestigious watchmaking companies, Valdar decided to set up a second production site in Le Brassus, offering services for assembling and finishing, in optimal working conditions. This micro-delocalization became vital after the acquisition of additional tooling centers and has enabled Valdar to double the surface area dedicated to tooling, a sector where shift work is essential in order to meet the high demand.

Nivarox-FAR (5)www.nivarox.com

Industrial and human development > The increase in the number of watch exports led Nivarox-FAR to commence important industrial developments in 2008 to enable the company to improve the chronometric precision of Swiss Made mechanical movements and strengthen its leadership position in its chosen area of activity, the production of escapements and oscillators. In order to be more reactive and flexible, the company therefore orientated its production towards greater innovation in both procedures and materials, so as to create escapements and oscillators with an even higher level of performance.

To stay abreast of evolving technology, Nivarox-FAR also invested in the development, in all areas of its activity, of specific competences for its workforce, whose number has grown significantly in the past years. The company has been particularly attentive to training and transfer of know-how, since the highly specialized activities in demand are not available in the market place. A focus was also placed on security of work processes. Thanks to the constant upgrading of its competences, the company managed to industrialize a number of new products such as its barrel springs and new materials like silicon. The latest methods of production are entirely realized in-house by the technical department, according to the specific requirements of the company.

Tradition and new technologies > 2008 saw Nivarox-FAR progress on two fronts, allying tradition with technology. A foundry was set up for the metal casting dedicated to ferronickel balance-springs used in Swiss anchor escapements, which equip over 90% of Swiss Made mechanical watches. Thanks to the investments made, there was also a major rise in the level of production of components in silicon and by LIGA process, as well as an increase in the mass manufacture of gold diamond-polished appliques for dials.

Work commenced on a second factory in Fontaines, near Neuchâtel, in order to house under one roof these new activities and technologies and to offer the best conditions for their development and production. Designed to optimize the industrial flow, whilst at the same time respecting the environment and the wellbeing of its workforce, this new factory, whose first foundation stone was laid in November 2008, will be operational for production in 2009. The production flow was also already optimized in May 2008 with the opening of the Villeret site in the Canton of Berne. A true jewel at the service of the science of chronometry, this new production unit of Nivarox-FAR, housed in an entirely renovated factory, also offers the latest in ergonomic developments, being equipped with new work tables, developed in partnership with a specialized institute. Finally, Nivarox-FAR contributed to a number of exhibitions organized by Swatch Group brands in 2008 in Lugano, Tokyo and Beijing, which showcased the minute dimensions and complexity of the watch components produced by the company for escapements and oscillators.

Comadur (6)www.comadur.com

2008 saw the end of the organization rationalization for Comadur, the specialist in hard materials, following the geographic regrouping in the building of the Col-des-Roches (Switzerland), in December 2006, of the two main units, Ceramic and Sapphire Crystal.

Thanks to the recent investments in production tools, Comadur's sales showed a significant positive trend in all product lines.

The company also continued to expand its activities, developing new products and materials in partnership with different Swatch Group brands. Further to its success within the watch industry, and now used by nearly all the different watch segments, high-tech ceramic has recently been created in different colors and new and complex forms.

The sapphire line saw its substrates evolve towards greater geometrical complexity, enabling the creation of new products. This evolution was reinforced both on the aesthetic front, with metallization and anti-reflective treatment, and on the functional level with tactile crystal, for the use of the technique of fine layer deposition. The nanotechnologies that Comadur has put in place have become essential elements that the market demands. The competitive advantage of the company is now based not only on the use of sapphire crystal, but also its integration into the value chain, which the company masters from start to finish.

Activities linked to micro-technology lines – watch jewels and micro-magnets – enjoyed double-digit organic growth, thanks to the consistent demand for watch movements.

Finally, Comadur developed very innovative processes relative to the external watch parts, enabling both the combining of a wide palette of different materials and also the incorporation of different technologies. The concrete realization of these projects will be presented by the different Swatch Group brands during 2009.

Rubattel & Weyermann (7)

In 2008 Rubattel & Weyermann successfully continued to follow its strategy of development, integration and production of highly complex watch dials. The acquisition of new high performance production equipment enabled the company to offer further sophisticated quality solutions to its customers. 2008 also saw the progressive integration of research and development activities concerning machining of new materials and a number of studies were undertaken in order to ensure the industrialization of different new products. The recruitment and training of personnel, as well as a department equipped with CNC machines dedicated to dial creation, also contributed to the company's capacity to reply to the numerous development demands of the Swatch Group brands.

The planned expansion of enameling and *guilloché* activities was realized, increasing both industrial capacity and the production surface area, in which new engine-turning machines for *guilloché* work were installed. The delicate operations of tooling and finishing of enamel dials were consolidated through the acquisition of specific production equipment. The creation of a new workshop also enabled the company to undertake in-house the application of luminous materials.

As Rubattel & Weyermann pursues its investment and development program, its principal production site continues to adapt to offer ever greater efficiency. The progress and consolidation of its different departments remains a priority for the company in order to be able to react rapidly and effectively to meet market demands.

MOM Le Prélet and Indexor (8)

The dial producer MOM Le Prélet pursued its strategy in 2008 of focusing its resources on the integration of the different products required by the Swatch Group brands of the prestige and luxury segments. An important number of dials were thus successfully industrialized, furthering the development of the factory in Geneveys-sur-Coffrane (Switzerland).

A particular effort was also made to reinforce the organizational structures to support business growth. In line with actions undertaken since 2006, several new activities were internalized, ensuring for MOM Le Prélet an excellent mastery of the added-value chain and a constant increase of know-how for its skilled workforce.

Like the other dial producers of the Swatch Group, MOM Le Prélet will now also benefit directly from the exceptional competences brought to them by the company Indexor, whose recent acquisition means that they can reply to the increasing demand for high added-value dial indexes. The augmentation of surface area and means of production and quality control realized in 2008 consolidated the leading position of the index producer from the town of La Chaux-de-Fonds (Switzerland) in this highly specialized segment of the Swiss watch industry.

Deutsche Zifferblatt Manufaktur (9) www.watch-dial.de

The increase in the demand for exceptional sophisticated dials from the Swatch Group brands of the prestige and luxury segments enabled Deutsche Zifferblatt Manufaktur (DZM) to register a rise in its levels of production and turnover in 2008 and necessitated also an augmentation in the number of personnel as well as of technical capacity. Whilst pursuing this expansion, DZM is also focusing on a number of different technological advances in order to enlarge its scope of production.

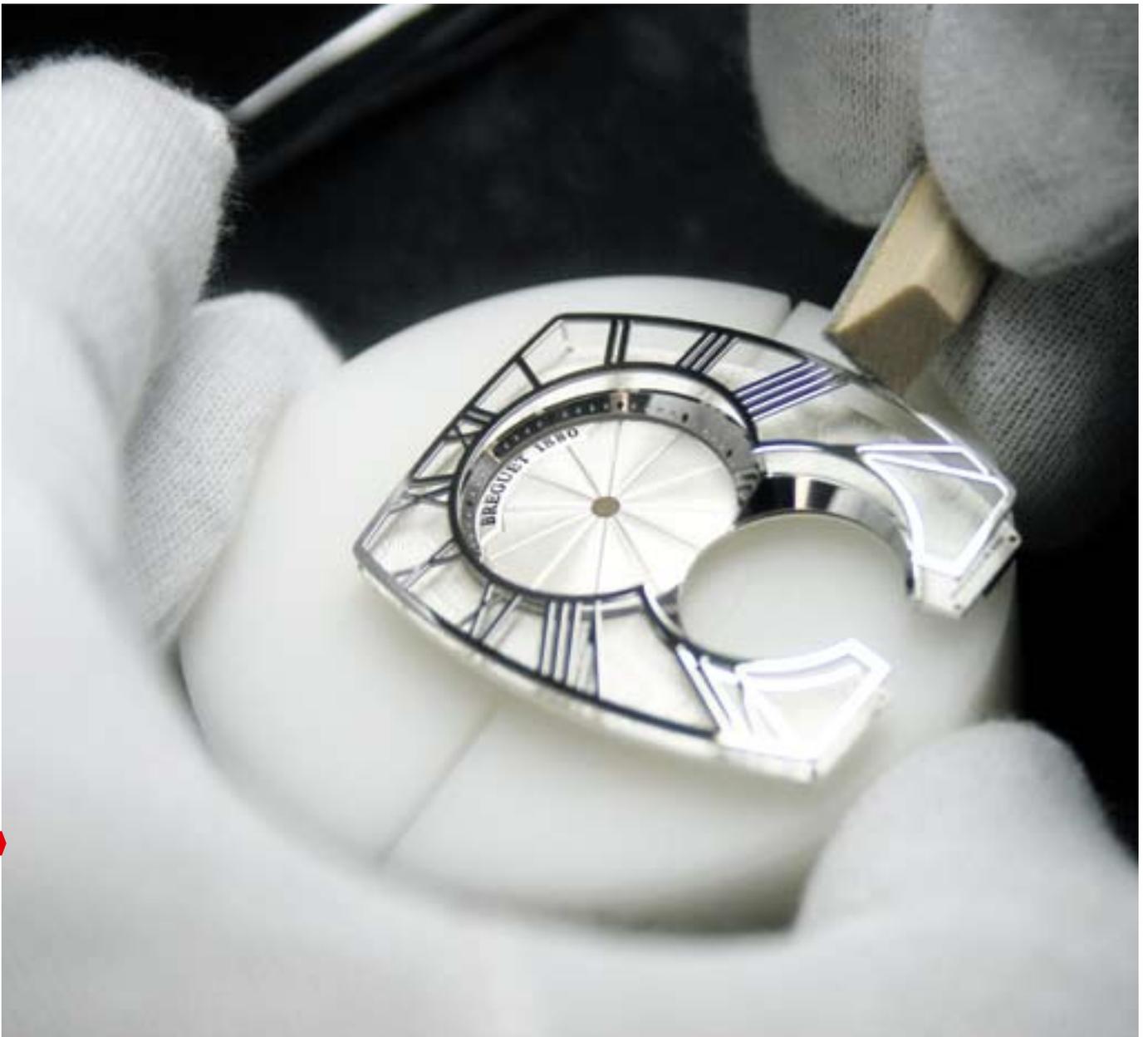
New technical conditions were therefore put in place in 2008. The basic requirements for quality control and the optimization of the creation of added value have also been established. The piloting of tooling processes has been reorganized to further improve production capacity.

The company has succeeded in combining traditional production techniques with ultra modern technology and has thus raised the level of the tooling of its products to meet the highest modern standards.

Thanks to its investments in quality improvement and surfacing techniques, DMZ has consolidated its position as the specialist in highly complex dials, offering its customers a highly prized flexibility of production, even with the smallest of orders.



Indexor SA

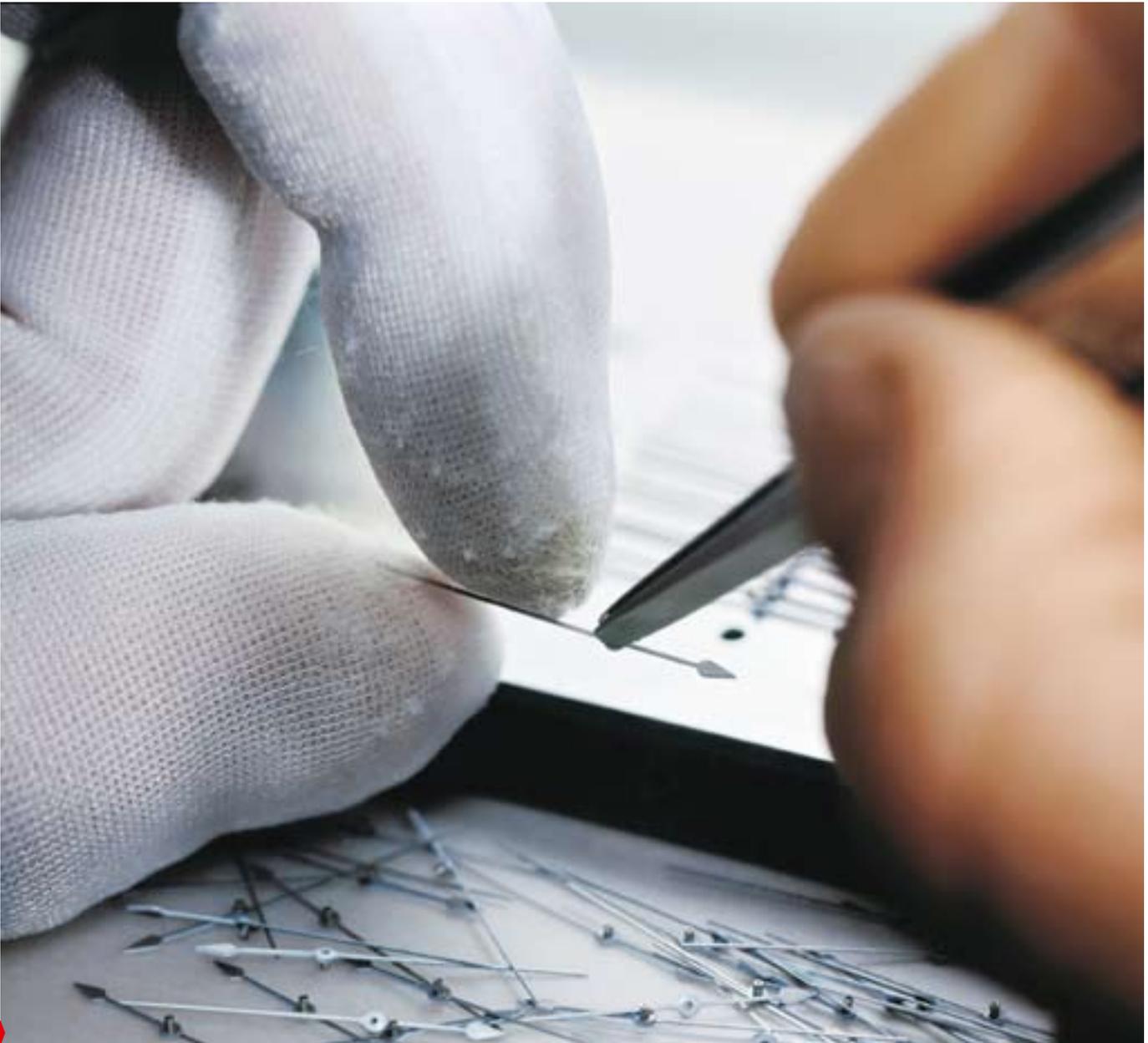




Manufacture Favre et Perret SA



L A S C O R



Universo (10)

www.universo.ch

Activity in the first half of 2008 for Universo remained at the same level as for the end of 2007 and, despite the international market turmoil and its effect on the level of orders in the second half of the year, the company registered results slightly above those of the previous year.

This positive outcome results from the constant work undertaken by the company – the leader in watch hand production – to meet its objectives. These concern, in particular, the improvement of the quality of its products, investment in production tools, optimization of logistic flows and the introduction of an Internal Control System (ICS). The recent launch of the auto-control system enables, amongst other things, to help to respect the quality criteria agreed with all the watch brands, including the prestigious brands of Breguet, Omega and Blancpain.

Focus in 2008 was on diamond cutting, the expertise on which the reputation of Universo quality is based. The industrial production line inaugurated the prototype of a new generation of machines to replace the present pool of diamond-cutting machines, which dates back to the 1980s. Under great demand for specific customer requests, a number of machines have been put at the disposal of the piece by piece production line. With this in mind, a multi-functional diamond-cutting plane has been dedicated entirely to Omega development.

R&D was significantly increased in 2008, thanks to the addition of new members to the project team in 2007 and to the partnership program with local engineering schools. The automation and study of new materials, such as silicon or ceramic remain important subjects for the future.

After much reflection on the organizational processes of the company, another main project was realized in 2008 with the migration of the present IT management system onto a new integrated platform.

Thanks to its solid foundations, and as far as the economic environment will permit it to reach its full potential, Universo looks forward positively to 2009, the year in which the company will celebrate its 100th anniversary in July, with its mission to remain the unrivalled supplier for the whole of the watch industry.

Favre et Perret (11)

The watch case producer for the luxury and prestige segment brands of the Swatch Group, Favre et Perret, enjoyed a new year of growth in 2008 both in terms of the volumes delivered and the scope of services offered. These services included in particular the development of products and technologies, as well as the extremely high quality standards on which the company's reputation is based. Besides the know-how of its personnel, the essential key to the company's success lies in the investments made to support its growth and offer the flexibility and reactivity expected by its highly prestigious and highly demanding watchmaking customers.

New equipment was thus put in place in 2008 for development and production. At the same time, the foundry started the manufacture of several different alloys and launched a recycling project for precious metals. The advent of additional production space will enable the company to take on new developments, in terms of volume, diversity and complexity.

In addition to new creations based on existing models for all its customers, Favre et Perret also enlarged its product offering by developing and manufacturing new watch cases for the lines Classique, Reine de Naples, Marine and Héritage for Breguet, as well as pocket watches for Jaquet Droz. Several other ambitious projects are also underway both in terms of products and infrastructure, promising future success, despite the highly competitive environment.

Manufacture Ruedin (12)

Thanks to the integration of new skill-sets and the optimization of its production facility, Manufacture Ruedin was able successfully to support the brands of the Swatch Group and realize double-digit growth in 2008.

By efficiently taking the lead in a number of their development projects, the specialist in case assemblies combining metal and hard materials – ceramics, hard metal and sapphire – worked in close collaboration with such brands as Breguet, Omega, Longines, Rado and Jaquet Droz. The company, based in the Jura region, enlarged its service offering through the industrialization of such models as the Aqua Terra for Omega, the T-Touch for Tissot and the True Chrono for Rado. By working on the special collections Beijing 2008, and the Seamaster Planet Ocean Quantum of Solace model, the company also participated in Omega's success through the important events of the Beijing Olympic Games and the release of the latest James Bond film.

Manufacture Ruedin continues to build upon its competitive advantage, based on its flexibility and its focus on local customer support, and intends, through the development of new skill-sets, to increase this still further. By working together with the other Swatch Group production companies, Manufacture Ruedin is also able to offer to the brands a complete set of services to cover all stages of the watch case creation.

Lascor (13)

For Lascor, 2008 was marked by an increase in production volumes and an enlargement of its product offering, in particular for solid gold cases and bracelets. This result came thanks to important investments made in production tools, thus improving the capacities for fusion, alloy composition, tooling, laser engraving and finishing. Better management and a rationalization of the production space also provided Lascor with the necessary foundations for the increase in capacity required by the Swatch Group brands. Preferred supply partner for the brands of the luxury and prestige segments of the Swatch Group, the company from the North of Italy also focused in particular on the optimization of the use of materials as well as on quality management and meeting delivery deadlines. Finally, agreements with the Customs Authorities led to the lightening and acceleration of marking procedures for gold pieces exported into Switzerland, generating important gains in time and internal costs.



Meco (14)

Expansion, investments and new products were the key words for Meco in 2008, as much for the headquarters in Switzerland as for the production site in Malaysia.

Expansion > The continuing strong rise in turnover of this specialist producer of crowns and pushers was accompanied in 2008 by an increase in the level of productivity, generated in particular by continual improvement in production processes and constant efforts to ensure an irreproachable quality of its products.

The take-over during the course of the year of certain activities from Michel Präzisionstechnik reinforced the possibility of future expansion for Meco, who now produces crowns and pushers for Swatch watches and caps for the heads of electric razors.

Investment > The increasing complexity of products and the growing demands for assembling and finishing, encouraged Meco to introduce new technologies such as laser soldering and polishing using CNC machines working on 5 axes.

The successful implementation of a new integrated ERP system at the main site in Switzerland in May 2008 brought Meco the necessary tools to optimize management of production processes and company business in general. A similar system is planned to be installed in Malaysia at the start of 2009.

Research and Development > The constant desire to offer its customers new products and to reply to their increasingly tough demands pushed the company to reinforce its R&D department and surround itself with highly qualified personnel, always on the lookout for challenging new ideas.

More than one hundred new products have thus been brought to market by Meco in 2008, including the Beijing 2008, James Bond, New Aqua Terra and Solar Impulse collections for Omega, as well as the development and registration of an innovative new patent for Breguet.

The favorable response from customers has encouraged Meco to pursue this innovation strategy.

Swatch Group Assembly (15)

From a logistics standpoint, activities in 2008 for the assembly company, Swatch Group Assembly, were concentrated on the setting-up of flexible production lines and islands to guarantee additional quality, flexibility and technology for Swatch Group brands.

Investments made with a view to continual improvement enable the equipment to meet the strictest test and control requirements. Working conditions are thus able to reach a level of cleanliness that is only bettered by a sterile white room.

A training unit and another for prototypes completed the production support processes. The former enables the company to ensure that internal competences are maintained and developed, whereas the second unit, the mark of the customer, will now be fully integrated from the start of the project into the product development process.

Thanks to these three actions, on the working environment, production tools and human resources, the company has now reached a versatility and level of maturity that enables it to assemble all types of watches – from quartz models to chronographs and mechanical timepieces, as well as the tactile T-Touch for Tissot – and to offer a similar assembly time, whatever the complexity of the model.

The service provided to the Swatch Group brands will soon be reinforced by a significant increase in production capacity, enabling the center based in Genestrerio in the Tessin region of Switzerland to guarantee them a total internal autonomy in terms of productivity and quality.



AS

DUSTRIA

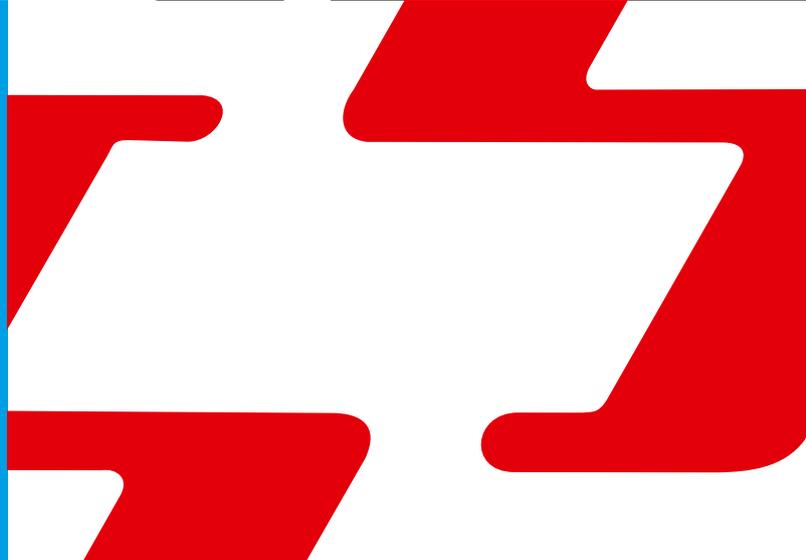
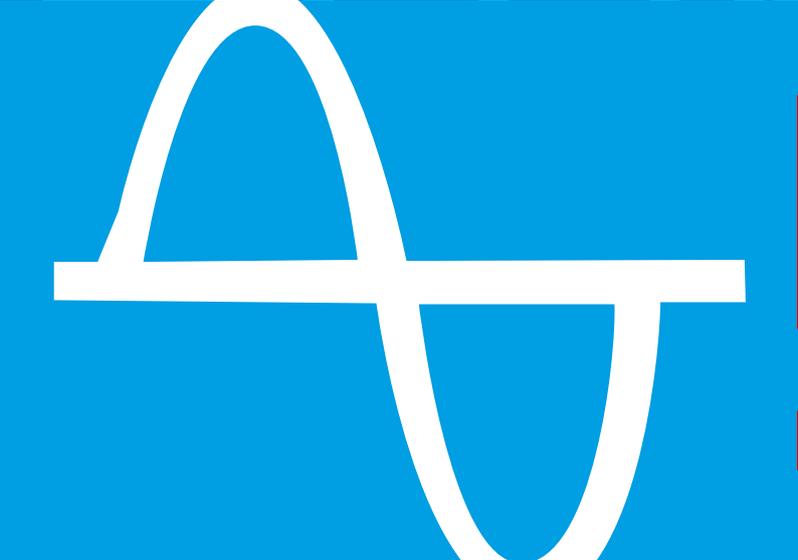


Electronic
Systems

nics



om





LASAG
INDUSTRIAL-LASERS

renata
batteries



Swatch Group Electronic Systems

In 2008, the Swatch Group continued to focus its activities on its core business of watches and jewelry as well as related production entities; it therefore parted from the two companies, Michel Präzisionstechnik and Sokymat Automotive, a decision already taken in 2007. EM Microelectronic however maintains its long standing business relationship with Sokymat Automotive. Swatch Group Electronic Systems (SGES) thus now consists of seven companies – EM Microelectronic, Lasag, Renata, Microcomponents, Micro Crystal, Oscilloquartz and Swiss Timing – all with strong roots in the watch making industry and a unique know-how in ultra-low power, extreme miniaturization and very high precision. Such critical competences allowed them to expand into non-watch markets, which eventually became the larger part of their revenue. Synergies were further developed in 2008 between the SGES companies to work on common projects and to address common markets. Together they reduced the form factor of a range of components aimed especially at Smartcard manufacturers, including fully packaged crystal oscillators no thicker than 0.45 mm, dual-interface, Flash memory-based secure microcontrollers, ultra-thin batteries, plastic LCD displays, switches and tactile keypads.

The continuous interest and high demand by the electronics and consumer product industries for key technologies and solutions originally developed for watch usage, as well as the cross-fertilization and innovations resulting from the interaction with those industries for watch applications, keeps SGES companies on the competitive edge at an international level.

EM Microelectronic (1)

www.emmicroelectronic.com

In 2008, despite the worldwide economic downturn and the acceptance of massive order push-outs in the last quarter, EM Microelectronic kept its revenue at the same level as the record year of 2007.

During the year, the company started to ramp up the production of existing processes on its new 8 inch wafers production line. The process development team further managed to develop and already produce wafers in 0.18µm technology. This will allow the company to manufacture new specialty products, such as low-power microcontrollers, especially for watches or other portable devices. EM Microelectronic's strong technical performance in low-voltage, low-power, mixed-signal and customized ASICs again fuelled a range of new and innovative product developments.

During the year, the company brought to production new, generic, fully programmable watch ICs for analog watches. These ICs can be either factory pre-programmed or personalized at the end of a watch production line. This new circuit replaced a number of existing ICs, simplifying logistics channels, reducing stocks, while allowing faster time-to-market.

EM Microelectronic further achieved 20% growth in the sensor interface area, where it qualified new, improved, very low-noise analog MEMS interface circuits for accelerometer applications, as well as high-resolution interface chips for pressure sensors. Combining sensor know-how with communication technology, designers successfully qualified an RFID circuit used for identification and diagnostics on animals. The circuit features an on-chip, high-accuracy temperature sensor. This remotely-readable product monitors surrounding tissue temperature of pets or high-value animals, such as thoroughbred and show horses. This sensor RFID circuit enhances the company's RFID product portfolio, which has been entirely renewed in all frequency ranges (Low Frequency, High Frequency and UHF).

In addition, the company also extended its Smartcard circuits family, making significant investments in higher added value products used for example in high security applications requiring formal certification according to the Common Criteria for Information Technology Security Evaluation (EAL).

EM Microelectronic has also ramped up its production of plastic LCD displays. Originally developed for watch applications, this technology is complementary to the integrated circuits in the Smartcard business. Smartcard makers are increasingly looking for optimized components for powered banking cards with a display. Smartcards with displays are used in multi-factor identification solutions for secured on-line access in the field of corporate data networks and e-banking.

The company launched the world's first single-cell battery 2.4 GHz stand-alone transceiver IC compatible with Bluetooth low-energy wireless technology. This new device is optimized for low-voltage and low-energy applications such as wireless sensors and wireless monitoring. During the Electronica Trade Fair in Munich, EM Microelectronic demonstrated a batteryless 2.4 GHz communication where the transceiver is used in conjunction with one of the company's ultra low-power microcontrollers and an energy harvester. The performance of this circuit makes it a primary choice for communicating watches, wireless keyboards and mice, game consoles and sensors, which have to connect to host devices. Finally, during 2008, EM Microelectronic's engineers also developed an innovative zero power concept which reduces standby energy consumed by common electronic equipment to between one and two orders of magnitude. With energy concerns at the heart of today's society, EM Microelectronic's low voltage and low energy expertise puts it in a perfect position to deliver key energy saving solutions in the future.

Lasag (2)www.lasag.com

With over 30 years of experience, Lasag is the leading manufacturer of industrial solid state laser solutions for the medical device, automotive, electronic, aerospace and watch industries. 2008 was distinguished by increasing market activities for the regions of North America, Asia and Eastern Europe.

In North America Lasag was able to reach its market goals through new management, regardless of the weak US dollar. The impressive booth at the largest industrial exhibition, IMTS (Industrial Machine and Technology Show) 2008 in Chicago and a presence at the many medical device shows were important factors in reaching the positive results.

For the Asian market the major goal was to strengthen and relocate the sales and customer support office in Tokyo. The office and warehouse is now located in the Swatch Group Japan facility in Baraki, Tokyo. For the first time Lasag has an infrastructure in place to provide Japanese customers with spare parts and service in Japanese yen. Lasag is also now able to make use of the Swatch Group professional logistics services: A positive example of using group synergies to offer clear advantages to customers in Japan and throughout Asia. This step is a milestone for Lasag and will lead to the provision of faster more efficient support for the Asian market, which the company can then build upon for other locations worldwide.

Lasag was also able to achieve impressive sales results in Eastern Europe, especially Russia, in line with a clearly defined business plan. A qualified and experienced sales and support team continues to strengthen Lasag's market position in this dynamically growing segment of Europe.

Renata (3)www.renata.com

For Renata, one of the leading manufacturers of coin cells, 2008 was marked by the adjustment to the fast changing conditions in the market. Despite the global financial crises and the critical liquidity of several distribution partners, the company is well positioned for 2009 by focusing on its core business. In countries with direct distribution, like France or Germany, sales still increased and overall the market share remained constant.

The company managed to react to the decrease in orders arising from the instability of the automotive industry by the re-dimensioning and further development of new products, such as special applications for the medical industry or extraordinary batteries for credit cards. The company also attracted new customers with its recently developed high-temperature battery. Development of a mercury-free silver oxide battery for watches was completed and Renata will start to deliver the first batteries in 2009. In addition, Renata filed several patents, which will help establish its image within the industry as an innovative supplier of miniaturized batteries for niche applications.

In parallel, process optimization for watch battery production continued with the implementation of new equipment for cathode manufacturing to ensure better quality and higher productivity. The supplier network was also improved to take into account international influences, and benefit from new approved key-suppliers in different currency regions.

2007 requirements for certification for the automotive industry, ISO TS 16949, were further implemented within the company. The Zhuhai facility in China led to better coverage of Asian market requirements and achieved the certification in accordance to the environmental management system ISO 14001.

In 2008 Renata was again exhibited at the major international fairs of Baselworld (Switzerland), the Watch & Clock Exhibition in Hong Kong (China), the EUHA congress in Leipzig (Germany) and together with the sister companies from the Swatch Group Electronic Systems at Electronica in Munich (Germany).

Microcomponents (4)www.microcomponents.ch

2008 was a successful year for the micro technology company, Microcomponents, and its vehicle instrumentation provider business unit Switec, despite the difficulties experienced by the Automotive Industry. Market share was increased in Russia and in other key markets, thanks to customer service and tailored engineering.

Confronted with continuous new market requirements and without any compromise on quality, Microcomponents successfully found and applied solutions with innovative materials and technologies. As a result, two new motor types were successfully launched by the end of the year and the innovative new features of the next generation of motors have been defined. The analogue car clock proved to be one of the most important business segments in 2008.

The energy and effort placed on marketing and customer communication has improved territorial coverage and, combined with the technical know-how and competence of its workforce, is a clear indication that the company is on the road to even greater success in 2009.

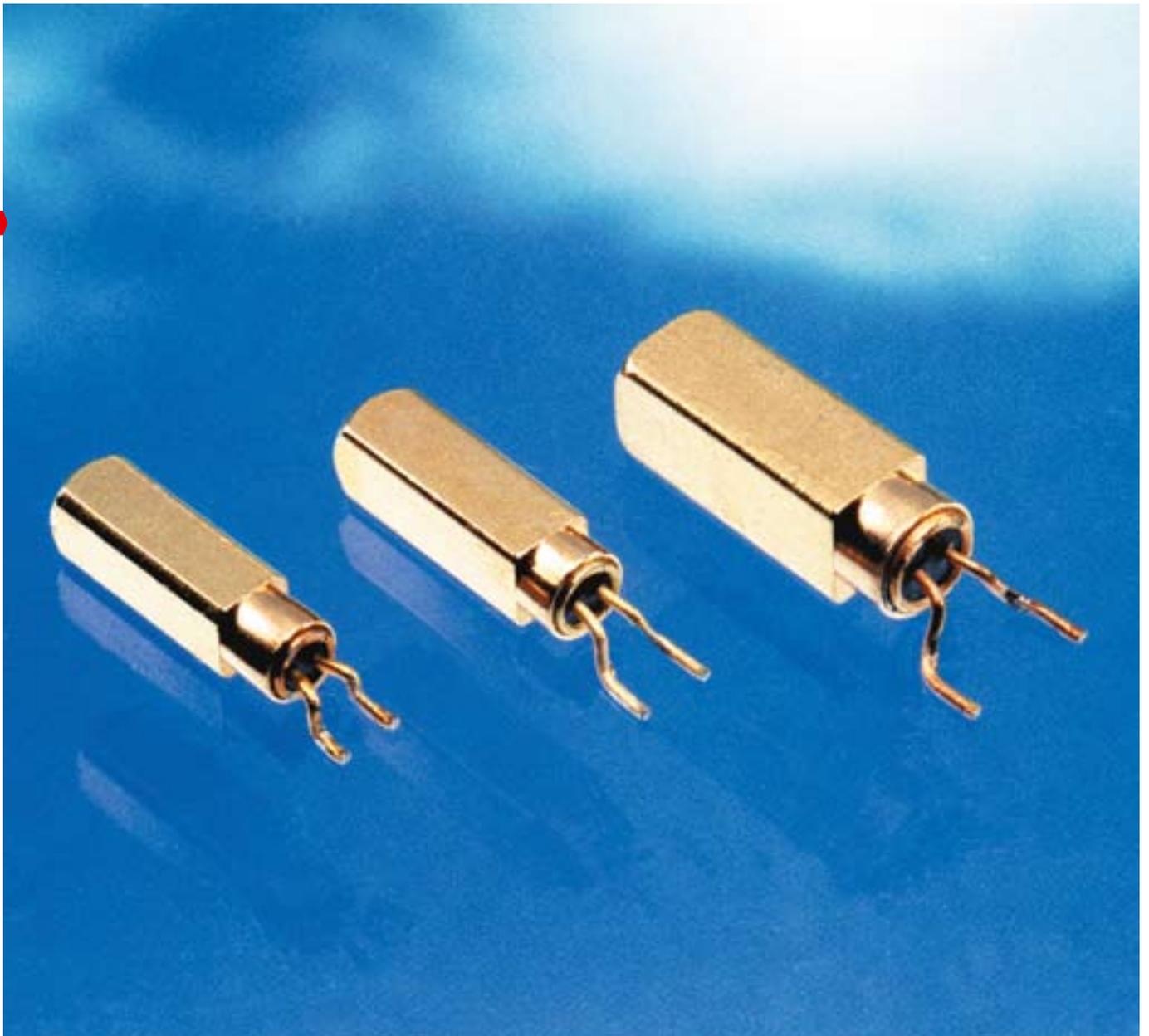
Micro Crystal (5)www.microcrystal.com

The world market of miniature low-frequency quartz crystal, used primarily in portable phones and watches but also by high-tech industry and security, continues to be dominated by Micro Crystal and a few Japanese producers. Given the market situation, Micro Crystal enjoyed a good year in 2008, even if its turnover did not equal that of 2007 due, in part, to the price pressure on quartz coming from its Japanese competitors having greatly increased their production capacities. Working at full speed until the fall, Micro Crystal delivered a record quantity of quartz in September. Although sales fell sharply in the last quarter, this was due not only to the economic crisis but also to high levels of stock held by a number of customers, which should decrease during 2009.

In order to stay ahead of the competition, Micro Crystal needs not only to participate in the developments coming from Japan but also to be itself ever more innovative in its inventions, often using completely new technology, as well as constantly improving its work processes on existing products. Having been the first to come with a miniature quartz of 0.4 mm package thickness for applications in credit card security, Micro Crystal's miniaturization enabled it in 2008 to provide its first customers of miniature electronic equipment with samples of crystals measuring only 2 x 1.2 mm.

To meet the increasing customer demands for integrated components, like oscillators or real time clocks, Micro Crystal continued to work in close collaboration with its sister Swatch Group company EM Microelectronic as well as with other external partners, especially concerning the latest innovations in the field of temperature compensated products and those with very low power consumption.

In Medical electronics, quartz sales continue to evolve with new potential foreseen in pacemaker implants. Integration of GPS technology in an increasing number of applications also offers another growth opportunity. With its continual investment in new technologies to meet these new challenges, Micro Crystal is therefore confident in its sales growth potential for 2009.



Oscilloquartz (6)www.oscilloquartz.com

For the third consecutive year (after the difficulties encountered in 2003–2005) Oscilloquartz, provider of equipment and infrastructure for fix line and mobile telecommunication networks in over 100 countries, confirmed its positioning.

The successful product mix showed a strong dominance for the sectors of transportation and fix line. 60% of activities came from the synchronization of fix line networks, which represented good annual growth, including from the development of new communication technologies with mobile phones, tailored to meet specific customer needs. This growth ensured that overall margins for the company remained high, despite the fall in demand for quartz oscillators resulting from stagnation in the sector of Wireless WiMAX, DVB and 3G applications. Reductions in production and indirect costs, as well as improved quality, also ensured competitive advantage in a difficult economic climate.

A quest for international expansion > Oscilloquartz further reinforced its leadership position in the areas of time-frequency and network synchronization, by benefiting from the worldwide development and implementation of new technologies to increase its international reach.

New fix line/wireless convergences > With the advent of IP transported Internet/TV/telephone services, the new convergence now underway is between fix line and wireless. While using an IP based transport technology, the mobile to base station link is based on the TDD (Time Division Duplex) system, offering perfect frequency and time synchronization as well as the necessary “mobility”. Oscilloquartz introduced in 2008 its STAR family of “board level” GPS to cover the market of synchronization of wireless-based stations (3G 4G LTE WiMAX), offering an unmatched performance, dimension and cost ratio to its customers.

Revolutionary PTP solutions > As transport of information migrates from traditional infrastructures to that of the less costly IP protocols, the race is on to elaborate new Master/Slave solutions for mobile phones, 3G or WiMAX, based upon a new technology, Precise Time Protocol (PTP), according to IEEE1588 norms, still under development. With its first solution roll-outs and sales expected in 2009, Oscilloquartz is already in a leadership position in this new market.

Cesium clocks > After years of intense R&D, working in partnership with a French industrial company, the first fully independently produced European Cesium clocks were brought to market by Oscilloquartz in 2008.

Swiss Timing (7)www.swisstiming.com

2008 was a year, largely focussed on the Beijing Olympic Games for Swiss Timing, whose successful performance was recognized by the International Olympic Committee (IOC), the Beijing Organizing Committee (BOCOG), the different sports federations and Omega, in whose name they operated. This success was the result of months of preparation to ensure that whatever the sport, whatever the situation encountered, and however extreme the conditions, the timekeeping would take place, according to Swiss Timing’s high quality standards.

In total 211 competitions in 2008 were timed (172 in 2007, 147 in 2006 and 125 in 2005), including the World Championships of gymnastics and cycling, the European Swimming Championships and the two multi-game competitions that took place straight after Beijing: the Youth Commonwealth Games in India and the first Asian Beach Games in Bali.

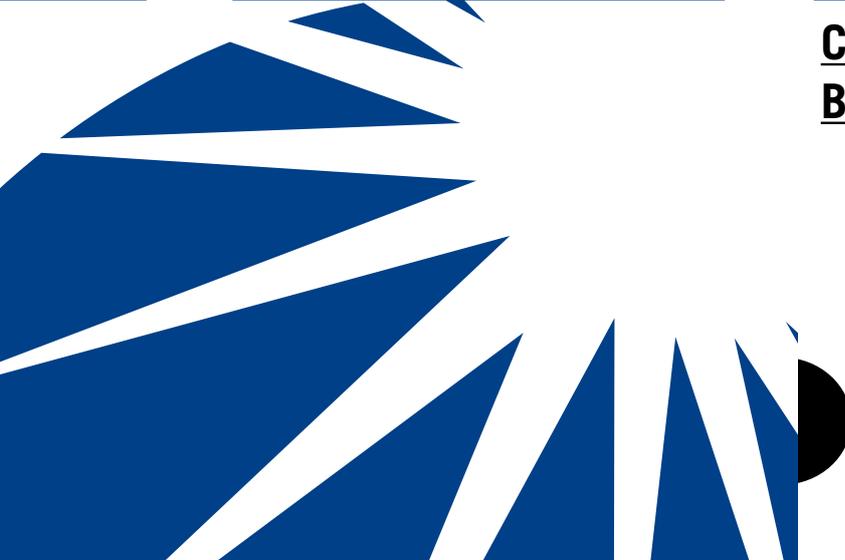
New partnerships with international sports federations were signed, including the EAA (European athletics) for Omega and the FIBA (basketball) and IIHF (ice-hockey) for Tissot, bringing to 19 the number of federations placing their total trust in Swiss Timing.

Activities and the number of personnel in Corgémont (Switzerland) have grown over the years, necessitating the enlargement and refurbishment of the buildings. 2008 saw the investiture of the new offices, with a total surface available of 8500 m² for the 121-strong dedicated workforce.

2009 promises new challenges, with the FIS Alpine World Ski Championships in Val d’Isère, the preparatory tests for the Winter Olympic Games in Vancouver, the Swimming World Championships in Rome, the World Games in Taiwan and a number of other multi-sport events.

ELABORAR

Corporate,
Belenos



ESTRATEGIA
CROSS-BORDER
FINANCIAL



THE SWATCH GROUP RECHERCHE ET DÉVELOPPEMENT SA

ASULAB

CDNP



Technical drawing details:

- Ø35,15
- Ø35,4
- Ø37,6

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Table 2 / 2
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Swatch Group Research and Development

The Swatch Group Research and Development Ltd, founded in 2005, comprises the activities of two divisions, Asulab and CDNP (Centre of Development for New Products). In addition to their respective research and development activities, both divisions are also involved in co-ordinating the technological innovations of the various companies within the Swatch Group.

Asulab (1)

www.asulab.ch

As the corporate Research and Development laboratory of the Swatch Group, Asulab's core mission is to design technically innovative watch-products, subsystems and components, and to develop the required corresponding manufacturing technologies. To fulfill its mission, Asulab relies on the expertise and experience of its highly trained staff, with the corresponding specialized technical infrastructure, and also on close co-operation with universities and research institutes, which provide direct access to cutting-edge technologies and knowledge that are essential to Asulab's innovative activities in the fields of micro technology, micro machining, displays, sensors and actuators, as well as micro-electronics, telecommunications, materials and process engineering. In 2008, Asulab therefore once again reinforced its co-operation with top level partners both nationally and internationally. A new activity was launched in the field of advanced machining, in collaboration with leading European research institutes. Several projects with ETHZ (Eidgenössische Technische Hochschule Zürich) and EPFL (Ecole Polytechnique Fédérale de Lausanne), Switzerland's federal institutes of technology, were also started this year. Moreover, in 2008 Asulab was involved in commissions engaged in establishing international standards and requirements for batteries, as well as standards for watch case manufacturing in Switzerland. Overall, Asulab is currently carrying out over 40 multidisciplinary research and development projects with partners both inside and outside the Swatch Group.

Notable progress was made in 2008, in particular in the fields of material science and integrated circuits designed for touch-screens and wireless communication. New materials and new shaping processes designed this year enabled Asulab to develop new applications for watch case technology and mechanical watch movements. A new generation of integrated circuits was designed, ensuring that Asulab maintained its lead in the field of capacitive sensor-based touch-screens; this new type of integrated circuit was recently added to EM Microelectronic's sales catalogue. Major developments in the field of integrated circuits also included improvements brought to wireless communication devices. In collaboration with EM Microelectronic, Asulab significantly increased the performance of transceivers and is now one of Europe's leading institutes in this field.

CDNP (2)

Center of Development for New Products

CDNP is the place where different Swatch Group brands come to confront their dreams and ideas with the technical and economic realities of their production. Relying on the competences of a skilled team of designers, engineers and technicians CDNP creates the watch exterior both aesthetically and in terms of construction. These technical experts define the mechanical specifications of the products and ensure their manufacture. Thanks to the expertise of these micro-mechanics and the ultra-modern tooling machines that enable the realization of a small series of prototypes for watch cases, dials, bracelets, clasps, buckles and bezels, as well as jewelry pieces, CDNP is capable of providing finished prototypes of impeccable quality, whatever the material used. A secured CNC machine is dedicated to the tooling of precious metals which in 2008 enabled the production of a small series of gold watch components including; bezels and flanges, cases, bracelet links, and other exterior elements, for the prestige and luxury range brands of the Swatch Group, as well as for Swatch.

Ultra-rapid 3D prototyping in synthetic multicolored high-performance resins continues to be used, in general, by all brands in their preliminary design stage. CDNP has recently acquired a new-generation 3D printer that also enables the creation of supple polyamide bracelets to complete the prototype models. Functional bracelets in materials such as rubber, however, require the use of polymer molding, which rapidly creates prototypes in different colors. Besides the manufacturing of prototypes and small series, the pool of latest technology CNC machines is linked to a high-performance CAD network, which enables CDNP to create tooling for production.

2008 also saw CDNP display its expertise in the field of digital graphics and animated computer imagery for the creation of CDs, particularly intended for the brands' after-sales service, as an educational support for repair and maintenance work. This activity has become increasingly solicited when it comes to visualizing the decorations conceived by the designers for different watch movements. It now also allows the company to create layout plans and realistic simulations for all Swatch boutiques.

CDNP engineers also advise the brands on matters pertaining to packaging and manage their orders for this type of material, according to both economic and ecological criteria. Work continued in 2008 on the elaboration and updating of technical specifications for watch casing, according to the ISO and NIHS norms. This highly detailed work is very important and undertaken in close collaboration with the quality departments of the brands and CDNP's own manufacturers of watch components.

The strong ties that link CDNP with Asulab enables research that results in a number of new technologies and materials. CDNP also works with other production companies within the Swatch Group to test and evaluate future production technologies. As in the past, 2008 saw the registration of several new patents, further increasing CDNP's already vast portfolio, and strengthening the position of the Swatch Group as the leading world producer of watches.

Belenos (3)

Powering the Energy Revolution > December 2007 saw the creation of Belenos Clean Power Holding Ltd by the Swatch Group, Hayek Engineering, the Swiss Federal Institute of Technology Zurich (ETHZ), Deutsche Bank, the Groupe E and the Ammann Group. Belenos – whose name derives from that of the Celtic sun god – has given itself the mission to accelerate a number of development projects with the aim of producing energy from the perfectly clean and inexhaustible sources of the sun and the wind and to transform and store this energy for diverse uses including that of transportation.

Capitalizing upon the expertise and research capacity of the Swatch Group in the areas of micro-technology and electronics, Belenos has associated itself with different partners in Switzerland and abroad in order to realize this ambitious project, launched by Nicolas G. Hayek. These partners include several important players in the field of fundamental and applied research, such as ETHZ and the Paul Scherrer Institut in Villigen (Aargau, Switzerland).

Belenos is presently working on a number of development programs covering the whole energy supply chain:

1. Production and decentralized storage of hydrogen and oxygen.
2. Fuel cells.
3. Highly efficient photovoltaic modules.
4. Others.

A first company, named Swiss Hydrogen Power SHP Ltd, was created in July 2008 by Belenos (the majority stakeholder), the Groupe E and the Banque Cantonale de Fribourg to work on the aspects relating to the production and storage of hydrogen and oxygen. After this first step, future developments concerning the three other above-mentioned points will be the object of similar joint ventures in which Belenos (always as the majority stakeholder) will associate itself with different scientific or industrial partners according to the missions of each entity.

The targets fixed for these entities are both concrete and ambitious. The aim of Swiss Hydrogen Power is the development of new installations enabling the production and handling of hydrogen in a decentralized manner. Belenos is already working with the Paul Scherrer Institute on the development of a new fuel cell, combining the great experience of the institute with that of the Swatch Group to improve its level of performance. The photovoltaic modules will be developed with partners in order to increase their energy efficiency, based on the most recent laboratory research. Finally, an advanced stage has been reached in other fundamental studies for the starting of a research and development project in the field of renewable energy.

The diagram describes the first concrete step towards the realization of the targets set by the project as a whole.

Principal stages of the process:

1. Capturing the solar energy by means of photovoltaic modules.
2. Possible direct use of the current produced for domestic electrical needs.
3. Injection of the surplus unused electricity into the public network.
4. Electrolysis of water to separate the hydrogen and oxygen.
5. Storage of the hydrogen and oxygen obtained by electrolysis.
6. Transfer of the hydrogen and oxygen (fuel) to the vehicle's tanks and the production of electricity by the recombination of the hydrogen and oxygen into water by means of the fuel cell.
7. Storage «buffer» of the energy produced by the fuel cell in a battery that releases it according to the demands of the electric motor.
8. Electric motors.

With an initial capital of 21 million Swiss francs, Belenos is governed by a Board of Directors made up of the Chairman and Delegate of the Board of Directors of the Swatch Group, Nicolas G. Hayek, the Chairman of the Management Board and the Group Executive Committee of Deutsche Bank, Josef Ackermann, the President at ETHZ, Ralph Eichler, President of the Executive Management Board of the Swatch Group Nick Hayek, Members of the Swatch Group Board of Directors, Nayla Hayek, Claude Nicollier and Johann Niklaus Schneider-Ammann, the actor George Clooney and CEO of Groupe E, Philippe Viridis.

Supported by the vast array of expertise of the partners of which it is composed, Belenos continues to pursue, through its research and development in all the areas concerned, its visionary investigations into clean energy solutions.

ICB Ingénieurs Conseils en Brevets (4)

The primary missions of ICB Ingénieurs Conseils en Brevets are to protect all Swatch Group technical innovations, to valorize its technological know-how, to monitor markets, to fight against counterfeit and the violation of patents, and to offer legal assistance in respect to intellectual property and its related activities.

In 2008, ICB continued to protect the technological assets of the companies and research and development entities of the Swatch Group. The number of new patent applications registered was higher than in 2007. This increase resulted from the efficient use of synergies between the different teams of Swatch Group engineers and researchers. This year again, this collaboration was particularly important in the field of watchmaking. ICB's activities in non-watchmaking sectors also remained at a high level.

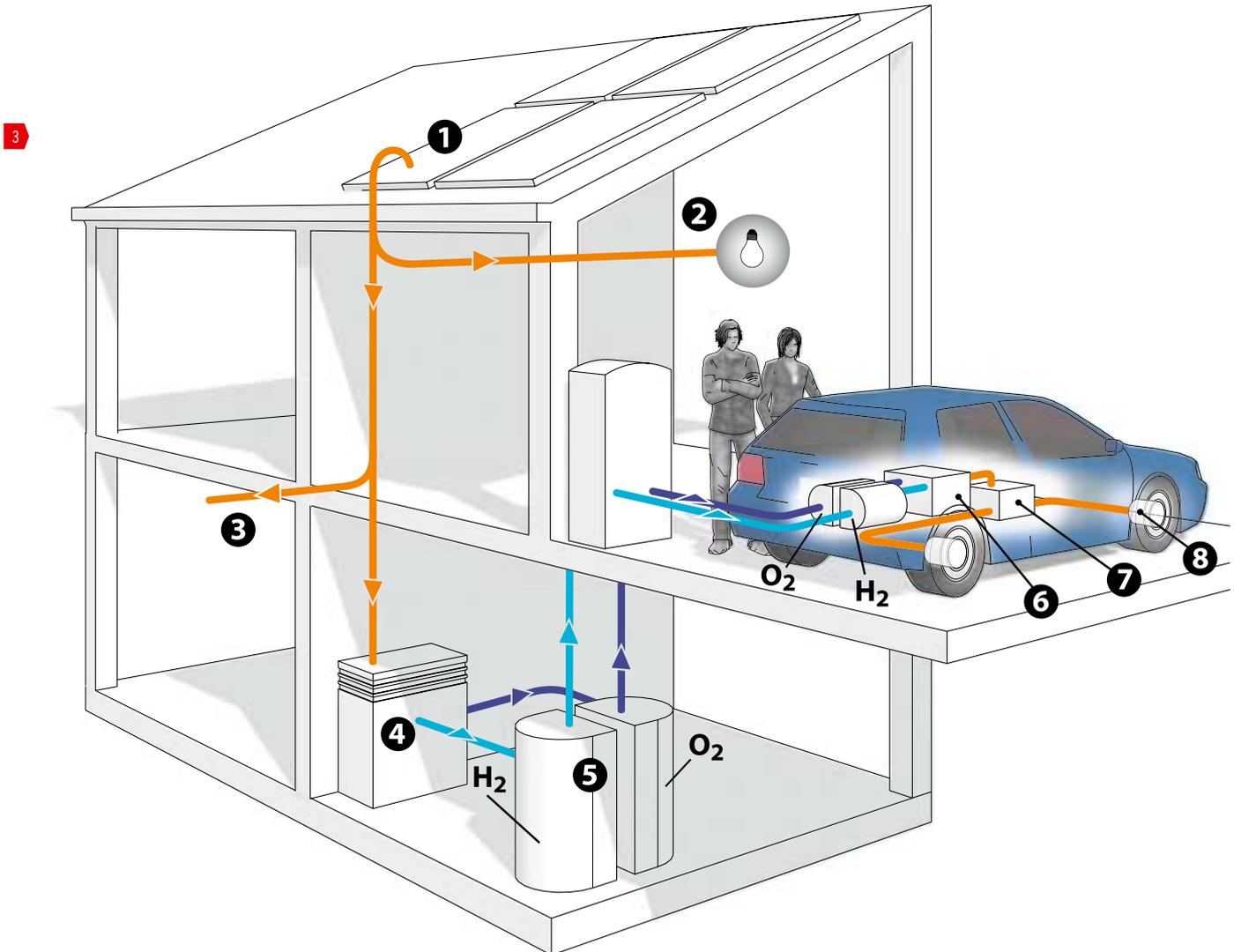
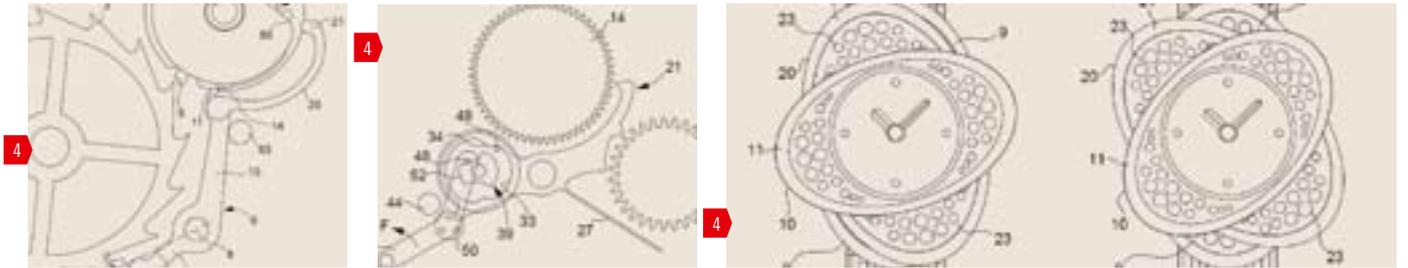
Important efforts were also made to support the market penetration strategy of the Swatch Group brands. Financial investments were targeted to ensure the protection of new products in potential markets and to consolidate their position in emerging countries.

Working with the Swatch Group legal department, ICB continued to assist the companies and departments of the Swatch Group to defend their rights in all circumstances.

ICB's management board also maintained its financial strategy in 2008 of controlling operating costs. Moreover, the company strove to manage effectively costs relative to maintaining and acquiring patent rights. As a consequence, ICB registered positive financial results that were above those originally budgeted for 2008.



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Swatch Group Quality Management

The mission of Swatch Group Quality Management consists of improving the conditions of the production process to ensure that Swatch Group companies are able to guarantee that their products meet all the legal and technical norms. Following a transversal approach, efforts are made to cover subjects that are valid and of general interest to all concerned. The aim is to elaborate the criteria for a minimum level of quality, to which all companies must adhere, but which they are free to surpass.

Legislation relative to chemical substances > Three rulings play an important role in the industrial activity of the Swatch Group: the REACH (*Registration, Evaluation and Authorization of Chemicals*) and the RoHS (*Restricted use of Hazardous Substances*) decreed by the European Union, as well as the CPSIA (*Consumer Protection and Safety Improvement Act*) in force in the United States. The recent creation of databases itemizing the chemical substances used by the principal suppliers of the Swatch Group means that as soon as a substance is brought into question by the ruling authorities, a check can rapidly be made to determine its possible existence in any Swatch Group products. Thanks to continual monitoring of legislation, Swatch Group Quality Management is able to anticipate any new restrictions as to the regulated concentrations or prohibition of chemical substances.

Quality assurance > In the ratification process, the on-going improvement in testing methods as part of the development phase enables the optimization of the quality and performance of all new products before they go to mass production. A rigorous control of the different stages of production guarantees that the products conform to legal, functional and technical requirements. The safety and quality factors of the products have also been the object of considerable investments by the different Swatch Group companies. The control plan which regulates decisions made relating to quality is based on specific analyses carried out by specialist independent laboratories, whose methods and results are examined particularly closely by Swatch Group Quality Management.

On-going improvements > Threading and Tapping: The number of threading and tapping operations undertaken annually on products is estimated at 250 million, thus representing an enormous potential for the clarification and simplification of their production and control. The standardization of taps and thread plug-gauges to meet an NT (Normal Tolerance) specification is a real achievement.

Technical specifications and needs (STB): The aim of the STB, which take the form of documents elaborated in close collaboration with the legal department of the Swatch Group, is to clarify, structure and render more accessible the different regulations, by summarizing the salient points. The STB on products for children, rubber and textiles facilitate the application of the legal norms by the companies concerned.

All activities in 2008 benefited from an increase in their visibility within the Swatch Group thanks to an internet-based solution of information exchange. This tool, whose aim is the constant improvement of overall product quality, guarantees the security and up-to-date nature of the information and reinforces the support provided to the companies by Swatch Group Quality Management.

Swatch Group Distribution ⁽⁵⁾

Swatch Group Distribution IT > In 2008, the Distribution IT unit continued to work towards developing a common IT platform for all the distribution companies around the world. Based on a modern and efficient ERP system, this integrated platform allows the Swatch Group to process electronically its customer orders, to manage the deliveries of its products throughout Europe and to promote harmonized business processes in the Swatch Group subsidiaries. The deployment of this platform in Asia is on-going and a new incident management tool has also been introduced to manage users' demands in an effective manner. To ensure the long term development of the Distribution IT platform and to protect the Swatch Group IT investments, a project is underway to optimize the performance of the related IT systems. In Europe, the Distribution IT unit is integrating the E-Commerce platform deployed by Swatch, which allows consumers to order products directly from the Swatch internet site. This solution is directly linked to the Swatch Group Distribution centers.

European Distribution Center (EDC) > With sixteen countries and twelve brands using the services of a centralized European warehouse, the EDC has now almost reached its full capacity and focus in 2008 was therefore on optimization. Renovation started on the offices and warehouse buildings. New equipment in the warehouse, as well as staff training, led to a substantial productivity increase. Transportation costs were reduced by cutting the number of express shipments, consolidating shipments, optimizing the customer delivery schedule and obtaining lower transportation rates. EDC continued to satisfy special customer requirements. With the increasing need of transparency of processes for the steadily growing community involved in the distribution of products into Europe, an Intranet based EuLog Community Portal was launched in the Fall, to be developed from a communication to a collaboration tool in 2009.

Swatch Group Logistics > The Swatch Group Logistics unit continued to improve the flow of goods and information by extending the functionality and modules of the global supply chain management platform that encompasses all the Swatch Group brands, subsidiaries and currently over 300 agents worldwide. In 2008 Tissot, Certina and Mido joined a common new planning module already successfully implemented by Omega and Longines in 2007 to ameliorate global sales forecast accuracy, by using directly sales data from the markets to improve both production planning and subsidiary inventory replenishment. It is foreseen to extend this to other brands and big distribution centers of the Group. Nivarox-FAR also started the implementation of a production optimization tool combining capacity and components planning.



Swatch Group Corporate Customer Service (6)

2008 was a momentous year for Swatch Group Customer Service and again a good year in watch sales. The undeniable correlation between the curve of increasing watch sales and that of services demanded from customer services has led to a need to increase capacity and space dedicated to customer service in the different Swatch Group affiliates. In 2008 a number of countries therefore changed location, including Italy, Spain, UK and the Swatch Group Customer Service Europe in Glashütte in Germany. In Asia, Hong Kong, China (Shenyang) and Singapore moved to new spacious offices and a Customer Service Competence Center opened in Shanghai. Welcoming customers in the customer service centers remains a priority for the Corporate Customer Service and in 2008 more reception areas were implanted in countries where the Swatch Group has a subsidiary, such as Singapore and China (Beijing, Shanghai and Shenyang).

There is still an urgent need for specialist watchmakers and the Swatch Group policy of creating Nicolas G. Hayek Watchmaking Schools is bearing fruit. In 2008 two new watchmaking schools were opened in Germany and Malaysia, whilst the other schools, in the US, China, Germany and the UK, continued to train highly qualified watchmakers who have rapidly been able to integrate the different Swatch Group entities.

Finally, the Internet-based Repair Information System (RIS) was made available to retailers in the US and China and will be rolled out to other countries in 2009.

undertaken is also part of a strategy aimed at the improvement of employees' safety conditions, the optimization and vertical integration of production flows and the amelioration of technical infrastructures to ensure a better quality of production or a reduction in energy consumption.

The new DYB building, made available at the end of 2007 for the regrouping of all its activities in a single production site at Corcelles-Cormondrèche (Switzerland), was inaugurated in February 2008, crowning an ambitious architectural project. Important extension work was undertaken in Switzerland at Longines in Saint-Imier for the installation of assembly T1 workshops. Swiss Timing in Corgémont also increased its storage area and embarked on the construction of an administrative building, which became operational at the end of 2008. Faced with increasing logistic requirements, several companies followed the example of ck watch & jewelry and transferred their activities to premises better adapted to their needs.

In 2008, Swatch Group Immeubles took an active part in the Swatch Art Peace Hotel project in Shanghai, undertook a number of consultancy activities for foreign Swatch Group companies, co-ordinated brand participation at Baselworld and contributed to the development of the network of brand boutiques. Blancpain inaugurated three new boutiques in Madrid, Zurich and Moscow. Jaquet Droz also opened a boutique in Russia in Moscow, and Omega one in Saint Petersburg. Five multibrand Tourbillon boutiques were also opened in Montreux, Singapore, Beijing, Los Angeles and Nice.

Swatch Group Immeubles (7)

www.swatchimmo.ch

Activities for Swatch Group Immeubles in 2008 in the real estate renting sector were characterized once again this year by the planning and realization of a number of projects. Modifications and renovations made to housing and industrial infrastructures greatly improved their standing. Real estate administration in 2008 managed over 6400 rental and lease agreements across eleven Swiss cantons, including those of Berne, Neuchâtel, Solothurn, Jura and Vaud, as well as various different areas of land owned by the Swatch Group. The majority of the 450 apartment buildings in the management portfolio belong to the Swatch Group Pension Fund, other companies' employer's funds and different affiliated companies. Moreover, the services of Swatch Group Immeubles manage an increasing number of properties belonging to third parties.

In 2008, activities in the industrial and commercial sector were also marked by a continuing process of modernization and cleansing of the real estate, as well as improvements to the infrastructures of the different companies in Switzerland: Tissot in Le Locle, Longines in Saint-Imier, Frédéric Piguet in Le Sentier, Rado in Lengnau, Swatch Group Distribution in Biel and EM Microelectronic in Marin particularly benefited from this important initiative. The work

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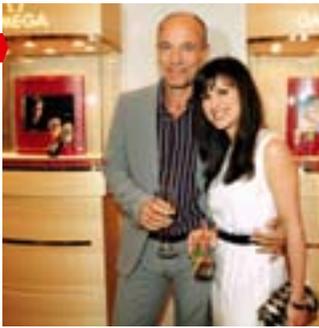
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Swatch Group Germany (1)

Despite major economic turmoil in the second half of the year, Swatch Group Germany sustained positive results in all segments, particularly for the luxury and prestige brands. Blancpain did extremely well, helped by a rigorous continuation of the selective distribution policy. A Soirée pour elles organized with star chef Alfons Schubeck delighted journalists, demonstrating the link between the savoir-faire of haute horlogerie and that of haute cuisine.



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Another highlight for the market was the opening of the Glashütte German Watch Museum in May, in the presence of state officials and representatives from the Swatch Group and Glashütte Original. By the end of 2008 the museum had already welcomed 30 000 visitors. The other “Made in Germany” brand, Union Glashütte, was

successfully “relaunched” with a press conference held in Dresden and opened over 100 points of sale. Despite strong competition, Longines and Rado held up well. Rado presented its latest novelties to the press at a Happy Hour, held at an award-winning design house, and Longines opened its largest shop-in-shop in Europe at the KaDeWe store in Berlin.

Hamilton also achieved pronounced growth thanks to a successful expansion strategy. In the retail business, the three Omega boutiques in Munich, Hamburg and Berlin performed very well with double-digit growth. The continuing investment in multi-brand shop-in-shop systems – the “Swiss Shops” – gave positive results, with brands marketed through this channel experiencing a strengthening of image and increase in turnover.

Swatch continued to strengthen its sporty image with its sponsorship of the FIVB World Tour during the Beach Volleyball tournament in Berlin, achieving further growth in its fiercely competitive basic segment.



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Swatch Group Austria (2)

High sales levels were further increased by all brands of Swatch Group Austria in 2008. The Vienna Breguet boutique enjoyed a record year. The newly opened Tourbillon boutique in Kitzbühel achieved good results and excellent brand awareness through star-attended events, including the Festival of Golf, in conjunction with Omega. Glashütte Original increased brand awareness thanks to excellent rankings in the *Format Chrono Award* and the *Watch of the Year of Die Presse*. Besides enjoying nationwide media coverage of its Olympic activities, Omega also capitalized on the filming of the latest James Bond in Bregenz with dedicated point of sale promotions.

Rado partnered the Vienna Design Week 2008, with a neon creation by Numen / For Use also exhibited in the Rado boutique. Tissot capitalized upon the Euro 2008 with football themed decorations across Austria. Great media coverage arose from the reinforcement of its charity relationship with Pro Juventute, and its signing of the talented racing driver Bianca Steiner as national brand ambassador. Certina celebrated Formula 1 in the Donau Zentrum, with cars of the BMW Sauber F1 Team and the launch of its new DS Podium Big Size, in the presence of the team’s Austrian test driver Christian Klien. ck watch & jewelry organized a very successful exhibition and fashion show.

Swatch sponsored the Beach Volleyball Grand Slam in Klagenfurt, with the Swatch Beachboat sailing on the Wörthersee. The 25th anniversary of the brand was organized in Bregenz, presenting the Swatch 007 Villain Collection. The Club get-together over the Vienna rooftops further increased membership, and the year ended with the spectacular Swatch SnowMobile in Saalbach / Hinterglemm. Flick Flak remained leader in its segment and took part in the Family Exhibition in Vienna.



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Swatch Group Belgium (3)

Swatch Group Belgium enjoyed an excellent 2008, progressing in all segments, and raising brand awareness through participation in a number of exhibitions, and focus on point of sale presentation. Breguet, Blancpain, and Omega took part in the prestigious Journées de la Passion in Luxembourg, Breguet and Omega in the Millionaire Fair, and Omega in the Mémorial Van Damme. Breguet sold a record number of “grande complication” watches, confirming the brand’s status as the uncontested n° 1 great watch manufacturer in Belgium. Omega organized an Olympic Night at the Millionaire Fair, graced by the presence of brand ambassador Kim Gevaert, who also attended the Athletics Day in the Omega pavilion in Beijing. Longines experienced significant growth and excellent sell-out for the sport collection, presenting the ladies sports models at the *Elle* Belgium gala evening.

Tissot concentrated on its distribution network, with new displays, and a shop-in-shop in the reputed avenue Louise in the center of Brussels, offering the brand additional quality visibility. Certina focused on activities within the Formula 1 race world, with roadshows, special windows and sport themed events across Belgium.

Two Backstage events by Swatch, underlined the brand’s link with the fashion world, with guests transforming themselves into “bad guys” to celebrate the launch of the 007 Villain Collection. Flik Flak associated itself with a grand pop concert organized for and by children from 5 to 14 years old, consolidating its position as market leader for children.



Swatch Group Spain (4)

2008 was a year of enormous change and investment for Swatch Group Spain. The relocation of the Swatch Group offices to new buildings in the Madrid suburbs, the excellent results of the Tourbillon boutique in Puerto Banús and those of the first Omega boutique in Madrid, as well as the opening of the first Blancpain boutique, also located on the prestigious Ortega y Gasset Street in Madrid, are all indicators of the Swatch Group’s expansion. Breguet increased its leadership and prestige in the market. Glashütte Original promoted its products at exclusive events, such as the Polo tournament at Laguna Village in Sotogrande. Omega underlined its presence in Beijing with its Great Olympic Moments in Time exhibition.

Longines’ sports line continued to provide the brand with new market strength, supported by its presence as Official Timekeeper of the Final of the CSIO Super League in Barcelona.

As the Official Timekeeper of the three MotoGP races in Spain this year, Tissot continued to promote its sports image. Hamilton pursued its tight relationship with the world of cinema as the sponsor of the San Sebastian International Film Festival, a very important artistic event in Spain. Swatch played a prominent role at Madrid Fashion Week, using this as a platform to celebrate its 25th anniversary. Swatch’s involvement in extreme sports was illustrated at an international event at the Plaza de Toros de las Ventas.





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Swatch Group France (1)

2008 was a good year for all brands, in particular those of the luxury and prestige segment, ending with a Tourbillon boutique opening in Nice.

After two years of restoration, the Petit Trianon at the Versailles Palace re-opened to the public with a press conference and gala dinner, to celebrate the role of Breguet and its president, Nicolas G. Hayek, as grand benefactor of this great project, celebrating in particular the brand's historical links with Marie-Antoinette. Breguet also received the prize of the best foreign advertiser in the French press from the Syndicat National de la Publicité.

Blancpain participated for the fourth time in the Festival International de la Plaisance de Cannes, launching for the occasion a white Fifty Fathoms Automatic timepiece, limited to twenty pieces. For the 9th year, the brand was also present at the Monaco Yacht Show, and welcomed HSH Prince Albert II of Monaco on board the renovated *Over the Rainbow* yacht. In the presence of Pierre Frolla and Gianluca Genoni, world record holders in free-diving, Blancpain announced its support of the educational mission of the Ecole Bleue association.



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Glashütte Original promoted its savoir-faire in the Salon des Belles Montres 2008 at the Carrousel du Louvre.

Besides communication of the Olympic message, Omega promoted the new James Bond movie with avant-premieres in Paris and Cannes, and hosted different golf events across the country with the Omega boutiques, including the 7th Omega Golf Cup in Cannes.



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Longines was again the Official Timekeeper of the prestigious French Open at Roland Garros, one of the highlights of the French social calendar, widely promoting its elegant and sports image.

As the Official Timekeeper of the MotoGP in Le Mans, Tissot presented its limited edition T-Race and welcomed its two brand ambassadors, 2006 world champion, Nicky Hayden, and Swiss rider, Thomas Lüthi.



Tissot also announced its partnership with former French motorcycle champion, Philippe Monneret and his motorcycle learning centers. Hamilton continued its association with the cinema, putting watches on the wrists of a number of well-known actors, as well as product placement within five French films, released in 2008. ck watch & jewelry reinforced its masculine line and undertook a nationwide training tour of sales staff.

Swatch celebrated its 25 years with numerous activities, including a catwalk show launch of the Chrono Plastic at the Beach Volleyball event in Marseilles, and the same city was chosen for one of the five stores worldwide to pilot the new Ice Dunes concept. The Paris Megastore also successfully promoted the 007 Villain Collection. For Swatch Bijoux, great promotion was achieved with red buses in Paris bearing the image of the Chemin Fleuri and 50 Smart cars that of the Swatch Bijoux campaign. Flik Flak organized a private showing of Speed Racer for children and journalists, and took part in the Salon des Belles Montres 2008 with workshops on learning to tell the time.



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Swatch Group Greece (2)

2008 was again a year of overall growth and solidity for Swatch Group Greece. Breguet enjoyed outstanding performance with remarkable sell-out for the Tourbillon Mykonos boutique, where Glashütte Original also held an exhibition of rare timepieces, thus reinforcing its position among watch enthusiasts. Omega's sales benefited from its selective distribution strategy and a national retail sales network training meeting, fuelled by James Bond enthusiasm. Longines' heavy investment in its retail network and in "on the spot" training sessions resulted again in double-digit growth and increase

of market share. The launch of its new collection, supported by media and retail events around its new image, led to significant sales increases for Rado.

Tissot concentrated on substantially increasing its presence in the travel retail market and the duty

free shops, as well as entering the biggest shopping malls. Hamilton's targeted media communication program and a significant shop opening in a luxurious mall in Athens helped establish the brand among the key players in the market. ck watch & jewelry continued its successful sales and image building activities, with a memorable media launch of its new 2008 collection.

Swatch supported targeted outlets and local markets, with special focus on point of sale promotion, including a The Club event at its first Swatch store in Athens and a Dr Swatch promotion at two other stores. The brand also continued to build on its fashion and sports image by taking part in the Athens Fashion week, and supporting the national Beach Volleyball tournaments around Greece during the summer.





Swatch Group Italy (1)

Marketing and media events led to good sales and enhanced the image for all Swatch Group Italy brands. The luxury and prestige brands all confirmed their strong position in this segment, especially amongst watch enthusiasts. Breguet presented an exhibition dedicated to prestigious complicated watches, in particular the pocket watch 1907BA12. Glashütte Original enjoyed great success in Rome, where its timepieces delighted the 35 000 visitors of the Contemporary Art Fair it sponsored. Ski ambassador, Aksel Lund Svindal, gave added visibility to Longines at the 2007-2008 Alpine Ski World Cup in Bormio; the brand was again Official Timekeeper of the 76th CSIO Piazza di Siena in Rome and training sessions across Italy reinforced its strong image with customers.



Swatch enjoyed excellent media coverage of its 25th anniversary and launch of the 007 Villain Collection and a maxi billboard in Piazza San Marco in Venice clearly showed the brand's provocative spirit. A press day dedicated exclusively to Swatch Bijoux launched the Taloo flower in a garden location. Local point of sale events with Flik Flak characters increased brand awareness with children of between 3 and 10 years old, as well as with their parents.

Tissot held a media event in the luxury Terme di Milano and organized a T-Touch Expert Training Tour. Its link with motorcycling was underlined through promotions at the Misano and Mugello MotoGP Circuits and extensive presence at EICMA. Hamilton revealed its latest lines at a Jazz Open Secrets event for top retailers. Rado watch & jewelry gave added awareness to the brand through a nationwide billboard campaign, Open Days in Bari and Rome and media events in Milan and Naples.

Swatch Group Netherlands (2)

2008 proved another stellar year for Swatch Group Netherlands with increased quality distribution, and record sales for all brands.

With glamorous James Bond events in its boutique and sailing events at I-Shares Omega kept the brand in the spotlight. Rado expanded its market position driven by the introduction of the new Ceramica Chrono and became a title sponsor of the Dutch Designer Awards, naming the Rado Young Designer Award. Longines celebrated its third year as sponsor of the Rotterdam CHIO horse jumping event and Dutch rider Angelique Hoorn attracted additional brand exposure by winning the Longines Press Award for elegance in Barcelona.

In addition to its MotoGP participation, Tissot celebrated the arrival of the new T-Touch Tactile with a specially-designed bus that still runs the Maastricht route, with sales rising dramatically following upgraded point of sale merchandising. Swatch had another very successful year, with The Club events, a fully-integrated campaign supporting the 007 Villain Collection (including, like Tissot, bus promotions) and the FIVB Youth Championship in the Hague all conspiring to drive the brand to new heights.

Swatch Group Luxembourg

In 2008 The Swatch Group Finance (Luxembourg) S.A. pursued its objective of managing the growing internationalization of the Swatch Group's business. The company's purpose is to manage its liquid assets, investments and funds while following the Group's financial policy and coordinating its activities with those of the parent company. Drawing on the advantages offered by Luxembourg as a financial center to take an active part in the Swatch Group's financing operations, Swatch Group Finance (Luxembourg) functions as a legally autonomous entity. The importance of Luxembourg as a world financial center allows the company, domiciled in the center of Europe, to play an important role within the Swatch Group's technical and financial structure. Based in Luxembourg, it is part of the global financial organization of The Swatch Group Ltd.





Swatch Group Nordic

Denmark > 2008 was a good year for Swatch Group Nordic Denmark, with all brands gaining market share. In particular, ck watch & jewelry, Rado and Longines showed considerable growth in their segments. Certina and Tissot maintained their strong position due to the successful introduction of new innovative products, with a launch event for the T-Touch expert held in the Illum luxury shopping mall in Copenhagen in October. Throughout the year PR events continued to ensure the visibility and quality image of all brands. As a tie-in with the brand's sponsorship of the French Open, Longines held a tennis doubles championship for retailers in a prestigious tennis club in Copenhagen. In November, Omega held an exclusive James Bond event with Aston Martin and Bollinger. Guest of honour was the famous Danish actor and James Bond villain, Jesper Christensen, alias Mr. White in *Quantum of Solace*.

Finland > Despite a challenging economy during the second half of 2008, Swatch Group Nordic Finland maintained steady growth and increased sales and visibility for all brands, with Omega, in particular, gaining market share. Longines Sport Collection gained visibility in November with the brand serving as Official Timekeeper of the FIS Alpine Ski World Cup in Levi, Lapland. Tissot sales grew again from record 2007 levels, largely fuelled by the launch of the new T-Touch Expert, with the brand also benefiting from its role as timekeeper for the Finnish Fencing Championships. Certina's Formula 1 presence and new sport collection also helped the brand hold its strong position in the market.

Norway (3) > Swatch Group Nordic Norway remained stable in a tumultuous year, with market share and average price remaining constant. The brands held the 24th annual trade fair in the Sundvolden Hotel for more than 200 retailers and press, which served to strengthen the relationships already in place. A highlight for 2008 was the James Bond premiere party with Omega, held in the British Embassy and co-hosted by James Bond Girl Olga Kurylenko. Longines continues its relationship with Norwegian's sport hero, alpine skier Aksel Lund Svindal, as he attempts to recapture his FIS World Championship status.

Sweden (4) > Swatch Group Nordic Sweden had another good year with continued growth in all segments and an increase in both average price and turnover. Partnership with local prestige events such as the Connoisseur Fine Wine and Champagne Fair led to increased demand and sales for Omega. Longines built its first shop-in-shop at Fredmans Ur in the center of Stockholm. A launch party for the "new face of Rado" led to the brand becoming

really trendy with consumers. Certina consolidated its status as one of the strongest brands in the mid-price segment, thanks also to its strong sports sponsorship in Formula 1. ck watch & jewelry experienced its best year since its launch in Sweden, strong demand placing it in the top segment of fashion watches. The launch of the Swatch e-commerce site in Sweden helped drive overall brand awareness and sales. An alliance with the Astrid Lindgren Children's Hospital keeps Flik Flak top of mind for kids.



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Swatch Group United Kingdom (1)

Closing its first full year in the new London headquarters, 2008 for Swatch Group UK was a very good year, marked in particular by a development of strategic alliances with key trading partners and the securing of prime retail locations. These included an Omega boutique and a Swatch kiosk in London's West End and the grand opening of the world's first ck watch & jewelry boutique in central London's exclusive Mayfair district.



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A new building in Southampton now houses the first stand-alone, dedicated watch service and repair centre of its kind in the UK. Equipped with new state-of-the-art tools, its improvements in turnaround times and repair volume are already evident.



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From a brand perspective, Omega once again led the pace with a record-setting year and a number of firsts for the brand, including the opening of the first-ever Omega Vintage Store in the prestigious Burlington Arcade. Omega also reinforced its Olympic tradition with a first-ever television campaign and an alliance with Team GB that will extend into 2012. Omega's partnership with James Bond was also heavily promoted.



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Breguet added to its royal patronage by presenting a specially engraved watch to HRH Prince Charles in commemoration of his 60th birthday and further realized its commitment to the restoration of European arts and culture by underwriting the gala reopening of the historic Royal Hall in Harrogate. Blancpain saw its retail network increase by 40% and held an aquatic event to celebrate the new Fifty Fathoms at the London Aquarium. Glashütte Original partnered with influential publications to create themed events highlighting similarities between German automotive engineering and watchmaking.



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In the high range watch category, Longines extended its prestigious relationship with Ascot Racecourse by becoming title sponsor for The Longines Handicap Stakes, and celebrated its sixth consecutive year as Official Timekeeper and title sponsor at the Longines Royal International Horse Show. Longines capped the year with an exclusive media event aboard the Orient Express. Rado continued to perform well with double-digit growth largely driven by the Ceramica Chrono. New contemporary window displays were featured in Harrods, highlighting the brand's avant-garde design.

The ever-growing popularity of MotoGP, backed up with its first ever television campaign in the UK helped Tissot increase both retailer support and sales. Hamilton marked its first year since launching in the UK with significant growth and expansion of its retail network including travel retail.



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Swatch cemented its art credentials via exhibitions in London and Edinburgh in conjunction with The Club. In addition to five FIVB World Tour events, the brand continued its tradition of supporting unusual sports with the Highland Open Cold Water Surfing Championship. Flik Flak raised its profile with licensed products from Batman and Scooby Doo.



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Swatch Group Ireland (2)

Swatch Group Ireland maintained double-digit growth across the board, due to the development and improvement of wholesale distribution. Increased market share and a commitment to providing high level customer service led to a relocation of the Swatch Group office to Lord Edward Street in the center of Dublin. Highlights of the year included Longines' role as Official Timekeeper of the Royal Dublin Horse show, attended by more than 125 000 visitors. Swatch also opened a kiosk at Blanchardstown Shopping Centre and a flagship retail store in the prestigious area of Grafton Street in Dublin's city center, launched with a display of the latest "tectonic" dance craze.

Swatch Group Poland (3)

Now ending its fourth year, Swatch Group Poland continues to benefit from the country's strong consumer spending trend. All brands enjoyed good growth in 2008 and plans are in place to increase the workforce, in particular watchmakers, to be able to provide the requisite high quality after-sales service.

Highlights of the year included the promotion for Omega of the new James Bond *Quantum of Solace*, building on its already excellent brand awareness.

Rado charmed the press with its new Sintra Chrono line, resulting in increased sales.

Tissot held a retailer meeting during a ski jump competition in Zakopane and the T-Touch Expert watches presented met with great success from Polish consumers. Certina's sponsorship of Robert Kubica in Poland's new favorite sport, Formula 1, and the new DS Podium Big Size line ensured the brand's on-going outstanding growth. Highlighting the brand's strong sports focus, Longines held a press event for its Admiral watches at the Olympic committee headquarters in Warsaw in March.

ck watch & jewelry dominated the fashion watch and jewelry segment in Poland though its Swiss Made product offering, holding a press and retailer fashion show in June in Warsaw to celebrate this success.

Swatch continued its strong growth and a shop-in-shop was opened at the new Warsaw Airport Terminal 2. The brand also sponsored an extreme motorcycle event with star Mat Rebeaud's at Warsaw's 10th Anniversary Stadium.



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Swatch Group Russia (4)

Swatch Group Russia doubled its sales and consolidated its position in the market in 2008, despite the difficult economic environment. Sales started with the subsidiary for ck watch & jewelry, Glashütte Original and Blancpain. Customer service was put in place for most brands and spare-parts provided to watchmakers from the Swatch Group Russia warehouse in Moscow. In addition, a customer service workshop for Breguet opened within the affiliate office in the capital.

All brands in the luxury and prestige segment enjoyed increased sales. Breguet achieved greater brand awareness, thanks to the A.-L. Breguet exhibition at the GUM, off Red Square, where it recently opened its boutique. Jaquet Droz and Blancpain opened their boutiques in the prestigious Petrovsky Passage in Moscow. Preparations are also underway for the opening of a monobrand boutique for Glashütte Original in 2009. Omega opened a monobrand store in Saint Petersburg and created a media sensation in Moscow with the avant-premiere of the new James Bond film.

Rado and Longines consolidated their positions in the market. Rado opened a monobrand store on one of the main Moscow shopping streets as well as seven other shop-in-shops.

With the opening of twelve new shop-in-shops and an event in Moscow with the famous hockey player, Viatcheslav Tretiak, Tissot managed to triple T-Touch sales in a single year.

Swatch increased its brand awareness through a number of events and the opening of fifteen new points of sale, including a Swatch store on Novy Arbat Street, one of the three main shopping arteries of Moscow.



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**Swatch Group
Canada (1)**

2008 was a good year for all Swatch Group Canada brands, with strong focus on distribution and marketing. For the 3rd year in a row Omega was the Official Timekeeper and sponsor of the Canadian Skins Golf Tournament held in Kelowna, British Columbia. The brand benefited from huge publicity around the Olympics and the latest James Bond movie, with the Limited Edition Black Bond watch sold out immediately.

Longines promoted the Sports Collection, through the Alpine Ski World Cup in British Columbia, a world-class short track speed skating competition in Old Quebec City, and an equestrian event in Ontario, named the Tournament of Champions.

For Tissot, the World Hockey Championships, held in Quebec City and Halifax, were a great success, supported by a strong outdoor campaign, and the nomination of the brand's first hockey Ambassador, Steven Stamkos.

In Toronto, Rado hosted the Prom at the ROM museum event for over 1000 guests wearing their own Rado "wristband" watch.

ck watch & jewelry opened 25 new points of sale and a number of shop-in-shops to promote the growth and image of the brand. Hamilton participated in the Toronto International Film Festival by sponsoring a gifting lounge and a premiere party for the widely reviewed movie *Ghost Town* starring Greg Kinnear and Ricky Gervais.

Swatch, had a special focus on retail sales, including the successful re-opening of the renovated Swatch Square One store in Toronto.



**Swatch Group
Brazil (2)**

The good economic climate that prevailed in Brazil in 2008 was mirrored by the results of Swatch Group in the region. Both Mido and Tissot enjoyed an excellent increase in market share. Mido finished the year with record results, following a strong marketing strategy which reinforced its brand image of prestige and tradition, and thanks to its offer of mechanical watches, as well as the implementation of a new distribution policy and the opening of new points of sale. Tissot continued to enjoy strong growth for the fourth consecutive year. Its decision to open shop-in-shops in all the main cities has proved most successful and reaffirmed its leadership position in the mid-price category watches in Brazil.

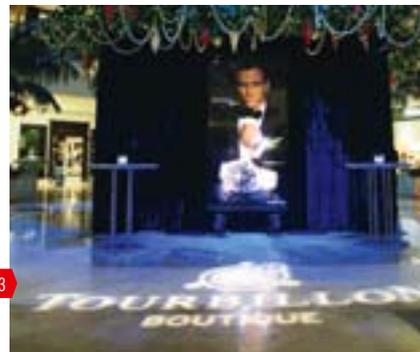
**Swatch Group
United States (3)**

Swatch Group US had a positive year, despite a sharp reduction in consumer confidence and a very difficult global economic environment. Overall growth can be attributed to brands maintaining focused distribution, fierce marketing initiatives and the right product assortments.

Again with double-digit growth, Breguet renewed its partnership with the Los Angeles Philharmonic and opened the season with a spectacular Gala evening. Blancpain's Fifty Fathoms Collection gave its best year to date. Glashütte Original saw a record year in

sales and increase in consumer awareness due to the introduction of new timepieces, such as the Panolnverse XL. Jaquet Droz celebrated its 270th anniversary at a gala party in New York and announced a partnership with Parsons - The New School for Design - and the Jaquet Droz Prize. Omega increased brand awareness across the US. Notably, the 2008 US Olympic Swimming Trials in Omaha, Nebraska, timed by Omega, featured three American Omega Ambassadors, Michael Phelps, Nathalie Coughlin and Katie Hoff, all of whom set world records at the event. History was made when Michael Phelps went on to break 7 world records and win 8 Olympic gold medals for all 8 events. The 22nd James Bond movie and launch of the Planet Ocean Quantum of Solace Limited Edition were also highly promoted.





In Los Angeles, Rado was the proud sponsor of William Krisel's opening night at the Museum of Design, Art and Architecture. In New York, Rado co-sponsored the Women in Design Awards which honored Paula Wallace President of the Savannah School of Art and Design. Charity initiatives with its Ambassador of elegance, Andre Agassi, including limited edition watches and a highly mediated scholarship program for his Foundation, resonated positively with all accounts, resulting in double-digit growth for Longines in a very difficult price segment.

Involvement in NASCAR, MotoGP and Ambassadors Danica Patrick and Nicky Hayden contributed to further develop Tissot's market share and increase brand awareness and appeal amongst US customers. Hamilton's partnership with actor Harrison Ford, and the 6th Hamilton Behind the Camera Awards, brought brand awareness to a new high. Now with over 150 doors, Mido's second successful year operating through Swatch Group US was marked by winning the Best Re-launch in the Best in Show 2008 awards from JCK magazine. With its new distribution program targeting better specialty apparel and accessory boutiques, ck watch & jewelry enjoyed solid growth.



Sales were exceptionally strong for Swatch.

The Times Square flagship store consolidated its n° 1 standing worldwide and a store opened in the second largest mall in America, Ala Moana Center, Hawaii. Airport sales were also strong despite lower traffic in most terminals. Flik Flak entered the world of high-end independent toy stores and has become the "it" watch for hip kids.

Finally, the first Tourbillon boutique on the American continent opened its doors in South Coast Plaza in Costa Mesa near Los Angeles, the most luxurious shopping center in the US, and hosted many upscale events.





Swatch Group Mexico (1)

Swatch Group Mexico started an ambitious reorganization process, and, despite the clear signs of a global financial crisis, kept a high level of sales through a number of strategic marketing and retail initiatives. Breguet, Blancpain, and Omega had an outstanding presence in the second edition of the Salon of High Watchmaking, as did Glashütte Original, who started operations at the subsidiary this year. Exclusive James Bond avant premiere events were hosted in cities across the country, culminating in a dazzling VIP cocktail party at the Omega boutique.

Rado sponsored the ceremony The Icons of Design, in the presence of outstanding personalities of the architectural and design world. For the seventh consecutive year, Longines granted the Elegance is an Attitude Award, in recognition of selfless assistance to others, this time to Rosa Ileana Perez-Nieto de Bojórquez, chairman of the board of the Children's Hospital in Tabasco.

Mido's 90th anniversary celebration was held at the magnificent Grand Hotel in Mexico City, attended by Urs Breiter, Swiss ambassador to Mexico. Tissot enhanced its brand presence with mini-car races at the "Televisa Teletón" in aid of funding rehabilitation centers for physically disabled children. ck watch & jewelry participated in the opening of a CKU (Calvin Klein Underwear) boutique at the fashionable Antara Commercial Center.

Swatch event participation included the Aca Fashion Nextel, staged by popular Latin artists, and the X-treme Adventure series in Hidalgo, promoting "Parkour", a sport linked directly to the new Chrono Plastic collection.



Swatch Group Panama (2)

Swatch Group Panama continued to pursue its mission for Swatch Group as the coordination center for regional activities in Latin America and the Caribbean. 2008 was a year of increased brand awareness

for all brands, with events across the region raising brand image and consequently growing sales. Breguet, Blancpain, Glashütte Original and Omega participated in the most important watch event in Latin America, the Salon Internacional de Alta Relojería 2008 in Mexico City. Breguet organized a successful VIP Collectors event in Argentina. In Panama, Omega celebrated its 160 years of innovation with its Constellation Omega 160 Years, in the presence of top model Cindy Crawford. Tissot held two important promotional events in Colombia and Peru and sponsored many sports events in Argentina, including kite surf, rugby, rally, soccer, motocross and karting. The brand also sponsored Mr. Jean Phillippe Patthey's Transamerica Expedition, with press conferences in main cities across the region. Longines gained market share in the sport segment and enjoyed exceptional visibility in tennis events in Colombia, Chile and Uruguay. Rado presented its new collection at its Latin American and Caribbean Meeting in Bariloche, Argentina. Mido celebrated its 90th anniversary with high recognition in all Latin American markets. Certina had a great year, and is now seen as one of the best options for sports watches. ck watch & jewelry participated in the renowned Bogotá Fashion Show in Colombia, and also held product launch events in Argentina and Venezuela. Swatch organized The Club Event for the implementation of The Club in Argentina and Chile and sponsored X-Fighters and the Swatch FIVB Beach Volleyball World Tour 2008 in Brazil.





Swatch Group Australia (3)

2008 was an exciting year for Swatch Group

Australia, with the major sports partnerships of Omega, Longines and Tissot leading to excellent image awareness across the region. Focus on distribution and quality presentation at the point of sale throughout the year also paid off, with increase in sales experienced by all brands.

Major marketing campaigns around its involvement as Official Timekeeper of the Beijing Olympic Games and appearance in the James Bond movie *Quantum of Solace* helped strengthen Omega's leading position in the prestige and luxury segment.

Focus on independent retailers and expansion of shop-in-shops led to excellent sales increases for Rado, with the brand's image boosted still further in March at a prestige event in Sydney for the launch of the Ceramica XL. Longines reinforced its position as the leading Australasian brand, consolidating the introduction of its sports collection in 2007 and strengthening its image still further across the market by installing another fourteen shop-in-shops. For

the seventh consecutive year, Longines was Official Watch of the prestigious Melbourne Cup Carnival, this time with the new Longines Admiral collection.

Starting in February 2008, Tissot partnered with the Australian Football League (AFL) to become the Official Watch and Official Timekeeper. Tissot was also the major sponsor and Official Timekeeper at the widely broadcast Australian MotoGP in Phillip Island. Watch & jewelry continued distribution expansion and experienced exceptional sales growth both in watches and jewelry.

Swatch gained significant celebrity media exposure in 2008, as a major sponsor of the MTV pre-awards Stuff that Rocks, FIVB tour and UCI BMX Championship, and kicked off the year as the Official Timekeeper and sponsor of the Sydney 07 / 08 New Year's Eve countdown. In April, Melbourne's flagship store hosted The Club watch launch, which provided Swatch The Club members and retailers with an exclusive look at the new Once Again, Again model.





Swatch Group South Korea (1)

2008 was a year of growth for all brands in South Korea with a strong focus on retail as well as on brand building through PR activities.

Breguet enjoyed a three-digit sales increase, opened its third boutique in the Equation du Temps store in Kangnam Area and participated in a number of high-level exhibitions. After a year's activity, Blancpain showed steady growth in both the local and duty free market. Jaquet Droz and Léon Hatot opened their second point of sale in an Equation du Temps store. Omega once again hit record sales and achieved great brand awareness through its sponsorship of the Ballantines' championship Golf tournament and KLPGA Tour, the opening of two boutiques and the creation of a flagship store on Chungdam Street.

Longines enjoyed excellent growth through re-positioning of the brand, reforming the distribution, and increasing the number of shop-in-shops. With an important sales increase, Rado had the most successful development since 2004 thanks to its new image and the opening of eight new shop-in shops in the main department stores. In addition to opening seven new shop-in-shops, Tissot built on its brand awareness through diversification of its communication and accompanied with a T-Touch South Korean alpinist Park Young-Seok's successful (first ever) expedition to one of the highest peaks in China.



ck watch & jewelry, now a leader in its segment,

had the most successful and memorable year ever, achieving three-digit sales growth and opening seven new shop-in-shops in major department stores.

Swatch reinforced its successful communication with the younger generation via internet media and big events like the FIVB World Tour in Seoul and the MTV Best Show Ever event continued to build on the young active fun image of the brand. Flik Flak celebrated children's day at three major department stores in Seoul and organized a family photo shooting event with overwhelming customer success.



Swatch Group Hong Kong (2)

The development of Swatch Group Hong Kong brands and sales continued to grow strongly in 2008, re-enforced by the continued expansion of the retail network. Both corporate and franchise stores represented an ever increasing percentage of Swatch Group sales, as well as upgrading the brand image and enabling closer communication with consumers. As a host venue for the Beijing Olympics, all brands in the Hong Kong market greatly benefited from the influx of tourists this represented as well as from Omega's direct involvement in the most important event to take place in China during 2008.

Breguet increased its market share and brand awareness was grown through media events around the grand re-opening of the restored Petit Trianon in Versailles. For Blancpain it was a year of prestigious events, attended by the elite of Hong Kong, including the Asia Marquis Yacht Launch, Top Gear Launch, The Art of Time Exhibition, Creative Power Awards and Global Business 1000 Award. Glashütte



Original was the Official Watch Partner of ARTHK08, Hong Kong's first international art fair. Jaquet Droz enjoyed fast growth and excellent brand awareness as it won the Esquire Hong Kong Grand Prix 100 Brand Award and also sponsored the 20th anniversary of *Esquire* magazine. 2008 was an extremely important year for Omega, with events around the Olympic Games, the new James Bond and opening of new dedicated retail space. To countdown to the Olympic Games, the Great Olympic Moments in Time exhibition

was held at Harbour City (~200 days), at New Town Plaza in Sha Tin (~50 days) and finally at Hong Kong International Airport. In partnership with Sotheby's, Omega held a charity auction of the Omega Beijing 2008, Unique No. 8 Collection, which was sold for 9 620 000 Hong Kong dollars. Full proceeds from the sale were donated to the Chinese Athletes Educational Foundation (CAFE). To commemorate its 160th anniversary, Omega inaugurated on the same day in Causeway Bay two new flagship stores. The newly renovated Omega flagship store on Canton Road was also re-opened.



For the high range too, 2008 was a year of expansion, Rado reinforced its strong design position with the creation of its first new-concept store in Asia

at Canton Road, in the presence of actress Charlie Yeung. Longines opened its first franchised stores in Tsim Sha Tsui and in Park Lane Shopper's Boulevard, each time in the presence of its Chinese brand ambassadors, respectively the actors Aaron Kwok and Carina Lau. Tissot opened its 7th exclusive shop at Park Lane Shopper's Boulevard in the presence of its ambassador, Barbie Xu, and launched the new diamond collection Stylis-T Diamonds. After a themed presentation of its different styles and designs at LCX Ocean Terminal Tsimshatsui in August, ck watch & jewelry opened its first store in Asia in October at Times Square shopping complex in Causeway Bay. Mido also enjoyed marked growth, with focus on outdoor marketing and an expansion of its retail network. The Fly High Hamilton extraordinary watch exhibition at Grand Century Place in November also enhanced the image of the brand in the region. Finally, Swatch also expanded its retail distribution and the brand's values of fun and joy of living were promoted through street events organized during Chinese New Year and Valentine's Day.





Swatch Group China (1)

Despite the growing global economic challenges, all brands in Swatch Group China continued to grow significantly both sales and market share. Swatch Group (China) Customer Service Competence Center (CSCC) opened in Shanghai the largest watch repair facility center in the world outside of Switzerland.



In November, Swatch Group and Jin Jiang International Hotels Group celebrated the launch of the restoration project for the Peace Hotel, the future Swatch Art Peace Hotel, reflecting the confidence of the Swatch Group in the solid future of all its brands in China.

Breguet celebrated the presence of its antique watches in the Napoleon and Le Louvre exhibition in the Palace Museum

of the Forbidden City in Beijing, with an international VIP media event. Blancpain opened its first boutique in mainland China, in Shanghai, and underlined its prestige through sponsorship of the Bocuse d'Or Asia, and by being chosen to be the first and only brand to display a modern wristwatch in the Palace Museum in the Forbidden City. Glashütte Original continued to expand distribution and now covers 20 cities, with a grand opening in Qingdao in 2008. Jaquet Droz expanded its presence into 4 cities with five new store openings, supported by a 270th anniversary celebration in Shenyang Qiulin Shop and a VIP dinner in Beijing for watch connoisseurs.

Omega strengthened its leadership in the Chinese market, with events and exhibitions across the country, in the presence of Chinese Olympic legends, emphasizing the brand's unique role as Official Timekeeper. The Omega Olympic Pavilion welcomed thousands of international visitors per day throughout the Games and the Omega Beijing 2008, Unique No. 8 Collection was a great success. Omega was also title sponsor of the CGA China Tour and Omega World Cup Mission Hills in Shenzhen, hosting the world's best golfers.



Distribution was also expanded and there is now an Omega flagship store in every major Chinese city.

Longines presented the Longines Master Collection Retrograde to Asia's leading watch critics and socialites from the world of literature, art and academia, at a Watch Salon, in the presence of brand ambassador Aaron Kwok. Rado underlined its design image by holding a media event in Design Republic, the design icon on the Bund in Shanghai, and a dealer meeting at Shangrila, Yunan Province.

Tissot continued to expand distribution to cover over 170 cities,



and organized media events with brand ambassador, Barbie Xu. In addition to its sponsorship of the MotoGP in Shanghai, Tissot also became Official Timekeeper of the Chinese Basketball Association (CBA) and developed a dedicated CBA watch. Mido celebrated its 90th anniversary in Ningbo Tianyi Plaza in the presence of super stars, Lu Yi and Yao Chen, and held a dealer meeting in Jeju island. Hamilton continued to grow to cover forty-eight cities. Certina re-entered the market after a 40-year absence, setting up 150 points of sale nationwide and promoting its sporty image and connection to the BMW Sauber F1 Team, through an exclusive BMW simulator roadshow. The

11th anniversary of ck watch & jewelry was marked by the opening of Qing Dao Hisense and Shanghai Grand Gateway monobrand stores and a Mini Basel Exhibition Tour in 15 cities.





Swatch launched two Olympic watches with a specific Chinese theme and opened a Swatch Superstore in the Olympic Park during the Games. The Swatch FIVB Beach Volleyball World Tour 2008 kicked off in Shanghai, commemorated by two dedicated watches. In August, Swatch, Sports and the City Art exhibition was held in Shanghai Grand Gateway shopping mall, with the launch of the Plastic Chrono Collection to celebrate 25 years of plastic success, and the anniversary of the largest corporate store in China was celebrated by an event in September. Swatch was also Gold Sponsor of the Beijing International Marathon, and launched a Swatch Mini-Marathon College Campaign in Beijing.





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Swatch Group Macao (1)

Building on the opening of Swatch Group Macao in 2007, all brands enjoyed excellent sales in the first full year of operations for this subsidiary, benefiting in particular from a strong tourist following, and the excellent position of its flagship boutiques in The Venetian Macao, to push brand awareness. This led to greater development of the retail outlet network with plans for further expansion in the future.

Blancpain boosted both brand awareness and sales through its sponsorship of The Excellence in Achievement of World Chinese Youth Entrepreneurs at Macau Tower, and a promotional exhibition at the West Gate of The Venetian Macao. Glashütte Original, collaborating with Porsche around the theme of German Engineering, at an exhibition in September at St.



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Mark's Square at The Venetian, showcased 30 pieces of its latest timepieces side by side with a Porsche's Cayman S. Jaquet Droz organized a three-week roadshow there in August in Di Moda Square, and Rado a roadshow in April and October at The Venetian Grande Canal Shoppes.

Riding on the wave of Olympic fever, several weeks before the official start of the Beijing 2008 Olympic Games, Omega also used The Venetian for its Great Olympic Moments in Time exhibition proposing an introduction to Olympic timekeeping equipment and displaying the Olympic commemorative watch collections.

Swatch expanded its presence in Macao by opening a new flagship store in Largo De S. Domingos, adopting the new Ice Dunes retail concept.



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Swatch Group Taiwan (2)

Despite the depressing economy and volatile stock market, Swatch Group Taiwan managed to protect its market share and profitability for 2008, through a strong focus on retail and the enhancement of brand image through targeted promotional events.

The first Blancpain boutique was opened in Taiwan and a 2-floor Omega flagship store in Zhongxiao designed by Mr. Kazuo Adachi was inaugurated in July in the presence of the Mayor of Taipei.

Another Omega boutique at Star Place, Kaohsiung, was completed in November. Longines, Tissot, and Rado chose Hanshin Arena Shopping Mall in southern Taiwan as the location for their new monobrand stores.

Breguet underlined its leading role in the production of grand complication watches through an exclusive event, exhibiting six antique pocket watches from the Breguet Museum in Paris.

Jaquet Droz unveiled a special Taiwan Edition 12-City World Time Watch to commemorate its 270th anniversary. To promote its German culture, Glashütte Original joined with Meissen and the German Cultural Center



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in Taipei to sponsor the famous Taiwan artist, Han Wu Lin, and the visit of the Lord Mayor of Meissen to Taiwan. Omega underlined its Olympic connection in a roadshow in front of the shopping mall of Taipei 101, the highest skyscraper in the world. Longines promoted its spirit of elegance in a charity Mother's Day press conference with its actress ambassador Chiling Lin, who was also present in October for the formal presentation of the Longines Master Collection Retrograde.

To celebrate its 90th anniversary Mido launched a limited edition watch in the presence of popular star, Ethan. Tissot's brand image continued to grow, thanks in part to intense media coverage of its female ambassador, Barbie Xu. Hamilton again achieved remarkable growth and launched its new collection, Khaki Conservation.

ck watch & jewelry organized a press conference and dealers' meeting which had great impact on the brand image and sales. Swatch enhanced its "fashion" image with two press events for the Spring Summer and Fall Winter collections.

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Swatch Group Japan (3)

In 2008 Swatch Group Japan strove to raise awareness for the twelve brands present in the country, in particular the seven with boutiques in the Nicolas G. Hayek Center, which celebrated its first anniversary with a stunning display of red flowers spread across the Avenue du Temps ground floor. The building continued to attract attention through brand events at the Cité du Temps exhibition area on the top floor, the use of the façade as a giant billboard, and the impressive decoration during the festive season.



Breguet's luxury image was underlined by its presence at the World Watch Fair at the Yokohama Sogo department store, an exhibition of its full Tourbillon collection at the Nihombashi Mitsukoshi department store and wide promotion of the brand's connection with Marie-Antoinette and the Petit Trianon.

Tissot fuelled enthusiasm for its sports line using its sponsorship of the popular MotoGP Japan Grand Prix Final to launch the Nicky Hayden limited edition timepiece, in the presence of its namesake, Tissot's champion sports ambassador. Hamilton's Spring/Summer Collection event successfully boosted sales by communicating the brand's dynamic image.



ck watch & jewelry continued to attract the attention of the fashion world and achieved additional sales growth through the opening of a third point of sale in Karuizawa. A limited edition of 40 ck spotlight 16 diamonds was created for the Japanese market to celebrate the 40th anniversary of Calvin Klein Inc.

Swatch ensured that it stayed top-of-mind with a number of events including the Swatch FIVB Beach Volleyball World Tour 2008 event in Osaka, the launch of a special Nicolas G. Hayek Center anniversary watch, and high media promotion around the 007 Villain Collection.



Blancpain consolidated its prestige positioning and its link to the world of the ocean and diving watches with the inauguration of the fine art exhibition highlighting the publication of the new art magazine *Fifty Fathoms Edition*.

Glashütte Original continued to underline its watchmaking savoir-faire with a mechanical watch seminar at Hirono in Nagoya, attended by watch connoisseurs.

Besides its two promotional Jaquet Droz Fair events, the

brand really had something to celebrate at its Ginza boutique's first anniversary party when it sold two timepieces for 4.2 million yen. Léon Hatot collaborated with the fashion magazine *25ans* to illustrate its vision of contemporary sensual luxury through a prestigious tea party targeted at senior independent women.

Omega rose high on Bond enthusiasm and James Bond Girl Olga Kurylenko launched the limited edition Omega Seamaster Planet Ocean at the Aoyama boutique and inaugurated the James Bond exhibition there.

Longines again highlighted its sports collection with a week-long HydroConquest exhibition with Ocean photographer Mikihiro Kyobashi. Rado promoted its new design image with a strong focus on its Ceramica Chronograph.





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Swatch Group India (1)

Swatch Group India enjoyed dramatic growth, with exciting events raising awareness for all 14 brands present in the market. Breguet continued to reaffirm its prestige image with a healthy increase in volumes and average price. A soft launch of Jaquet Droz took the form of press interviews in New Delhi, Chennai, Calcutta and Bangalore.

Omega was Official Timekeeper of the Indian Masters golf tournament, with brand ambassador Abhishek Bachchan, presenting the winner with an Omega Double Eagle Chronograph. The brand also hosted an Olympics Evening to honor the Indian contingent, graced by the presence of both Omega ambassadors Abhishek Bachchan and Sonali Bendre-Behl, Suresh Kalmadi, President of the Indian Olympic Association, and participating athletes with their respective Federation Presidents. The first ever Indian Olympic gold medalist, Abhinav Bindra, was also entertained at the Omega Pavilion in Beijing.

Longines' ambassador of elegance Aishwarya Rai Bachchan helped raise brand image through her presence at the launch of the HydroConquest watch in Kolkata, the inauguration of the Longines boutique at Ambience Mall, Gurgaon, the launch of the Longines Admiral Collection in Mumbai and the opening of a new boutique at the Crossroads II Mall, and the Longines Classic Horse Race in Bangalore at the city's Turf Club.

Rado also grew its brand image through events with its brand ambassador Lisa Ray, inaugurating four boutiques in Noida, Kolkata, Hyderabad and Kochi and celebrating the new Rado collection at the Rado Colors Party in New Delhi.

Tissot's international advertising campaign with brand ambassador Deepika Padukone attracted much media attention. After only one year's activity in India, Hamilton, helped grow its brand visibility through its link to the film industry, with watch placements in two Indian movies.

Swatch expanded its presence with 7 new boutiques.



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Swatch Group Malaysia (2)

Thanks to consistent and effective marketing investments over the years, all brands of Swatch Group

Malaysia performed outstandingly well in 2008, despite on-going local political tensions and the global financial turmoil. Omega focused its marketing activities on the 2008 Beijing Olympics, with a major exhibition in KLCC, and promotion of the new James Bond movie. Longines exhibited its new Sport Collection at the iconic Petronas Twin Towers.

Rado opened a new monobrand store at the Starhill Gallery, the most prestigious shopping center in Malaysia.

Tissot continued to dominate the middle-range segment, with numerous MotoGP sports events involving brand ambassador Nicky Hayden. Certina successfully re-introduced itself into Malaysia, supported by its partnership with the BMW Sauber F1 Team, with a 5-night F1 Pit-Lounge party in March. Mido celebrated its second year in Malaysia with additional point of sale openings and roadshow events in major shopping complexes.

Swatch launched its Spring Summer collection in the new mega-mall, The Pavilion, and opened a new retail outlet in the newly expanded Sunway Pyramid Shopping Complex, introducing the Swatcholino concept for the first time in South East Asia.

Finally, the fourth Nicolas G. Hayek Watchmaking School

worldwide started training the first batch of eight students within the premises of the Asia Pacific University College of Technology & Innovation in the southern part of Kuala Lumpur.



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Swatch Group Singapore (3)

Given Singapore’s open economy and heavy dependence on exports, the global financial turmoil significantly affected consumer confidence and tourism in the second half of 2008. Nonetheless, most of the Swatch Group Singapore brands rose to the challenge and managed to achieve year-on-year growth.

Capitalizing on the 2008 Beijing Olympics, Omega organized a week-long Great Olympic Moments in Time exhibition in the upscale Paragon shopping center, with its opening ceremony graced by Minister Teo Chee Hean.

Longines achieved a major milestone in its launch of a flagship boutique in Orchard Road. Rado successfully introduced the Ceramica Chronograph and Sintra Gold Jubile and also continued



to underline its design strength by renewing its exhibition presence at the acclaimed Red Dot Design Museum.

Tissot introduced an integrated marketing campaign in conjunction with its successful launch of the T-Touch Expert. Hamilton strengthened its ties further with the Republic of Singapore Air Force by being the main sponsor of the RSAF 40th Anniversary Open House, which attracted great publicity to its pilot community and generated good brand awareness.

Swatch organized a Spring Summer Provocative Party at Zouk, a renowned night spot, with unconventional tattoo show-cases, street dance and catwalk show. It also implemented the first Ice Dunes store concept in Asia in its newly renovated Plaza Singapura boutique.



Swatch Group Thailand (4)

In a very challenging environment, Swatch Group Thailand managed to strengthen its position and increase its market share, thanks to an aggressive marketing program and strong focus on customers’ needs, with visibility of the brands at the point of sale also greatly enhanced.

Breguet presented its new collection to selected VIPs, with the legendary Pocket Watch No. 5 displayed as a tribute to the “Art of Complexity”. Attention was clearly focused on the new Reine de Naples Cammea which promises to be among the best sellers for 2009.

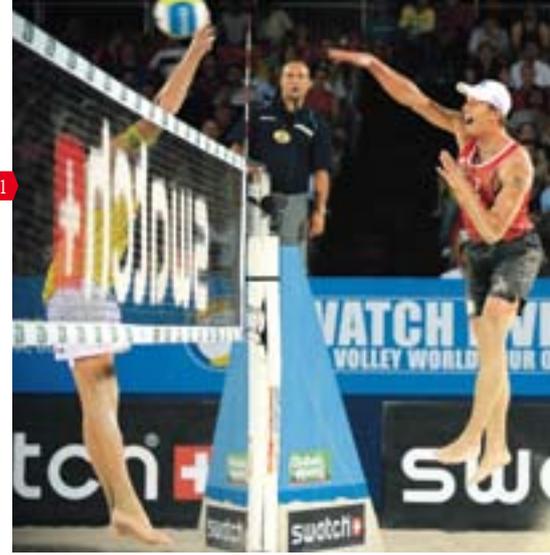
Blancpain held a boutique opening event and launch of the Fifty Fathoms collection at the Erawan Bangkok, with positive feedback from customers and journalists.

Omega was the center of attraction at the Siam Paragon watch fair, where the mini-stadium booth displayed the extended Olympics Collection. The countdown clock for the Beijing Olympics was set up in front of the shopping mall with more than 50 000 visitors a day.

Longines renovated and installed shop-in-shops in all leading department stores in Bangkok Metropolitan, and organized numerous promotional activities. The preview launch of the Longines Sport Collection at Siam Paragon World Watch & Jewelry 2008 was well received by all customers.

Rado held a Ceramica Color launch event, and Ceramica was also the line chosen to enhance the iconic image of the brand at Central World Plaza.

The highlight of the year for Swatch watches and Swatch Bijoux was the successful launch event of its Spring Summer 2008 Collection in January.



Swatch Group Middle East (1)

Swatch Group Middle East (SGME) witnessed tremendous growth in the Middle East and North Africa, with each brand opening its own monobrand and flagship stores in the region. The annual SGME Mini Basel event was held in October in the newly opened Atlantes Hotel on the Palm Jumeirah with the theme of Water and Time (Aquachronia), in the presence of 240 retailers, from the Middle East, North Africa and India, showing the importance of the Swatch Group in the region. Breguet continued to be the uncontested leader in the prestige and luxury segment, enjoying once again excellent growth in 2008, thanks also to the sustained activity of its Dubai boutiques. Following the success of the boutique Bur Juman, 2008 saw the birth of a flagship Breguet boutique of 150 m² at the Dubai Mall.



Blancpain also enjoyed substantial growth and opened two monobrand boutiques in Dubai at the luxury Bur Juman Centre and the Dubai Mall, the biggest mall in the world. Léon Hatot continued its dazzling growth in 2008 and pursued its expansion in this key market, supported by successful prestige events, including one in the Kingdom of Saudi Arabia

(KSA), with Sanad Charity, attended by princesses and top lady VIPs, a press conference in Dubai, and a VIP gala dinner and fashion show in Marrakech.

Omega attained positive growth with the addition of three boutiques, the first Flagship store in Dubai Mall and strong distribution development across the region, in particular in the United Arab Emirates (UAE). The brand also sponsored the first ever H.H. Sheikh Mohammed Bin Rashid Al Maktoum Endurance Cup, the Dubai Ladies Masters, and the Dubai Desert Classic.



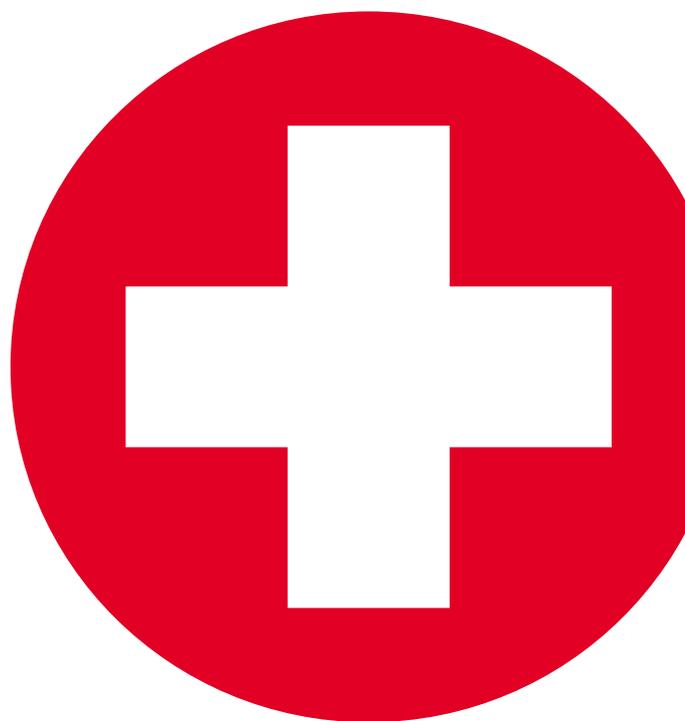
Longines enjoyed double-digit sales growth, coupled with a successful launch of the new sports line in all countries. It reinforced its presence by developing more personalized shop-in-shops, a strategy that was crowned by the opening of Longines' monobrand boutique in the Dubai Mall in November. Longines also renewed its commitment to the world of equestrian sport in the region as the official partner of the Dubai and Sharjah championships of the Arab League.

2008 was a year of change for Rado. From the 50th anniversary event in May in the UAE, to the dealers meetings in August in the KSA, Rado presented complete image rejuvenation, setting a new pioneering course of innovation. This new image, together with the inauguration of seven Rado boutiques (four in the KSA, two in Bahrain and one in the UAE), as well as constant expansion of its distribution network in key locations across the region, further strengthened Rado's sales and presence in the Middle East.

Swatch attained record levels of growth in the region due to innovative marketing activities and strong distribution development, particularly in the KSA and Turkey. Its Pan Arab TV campaign during the month of Ramadan had a considerable impact. As the main partner of the FIVB World Tour, the brand attracted public and media attention in Dubai and Bahrain, encouraging the organizers to further extend this growing sport in the Middle East for 2009. With much stronger sales than last year, Flik Flak positioned itself as the preferred watch for children in the Middle East.



Governance



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P

Environmental Policy

Thanks to a number of new improvements put in place during 2008 with a view to optimizing the development of new products as ecologically as possible (appropriate easily recycled materials and an amelioration of production methods), Swatch Group's commitment to a sustainable environmental policy was respected. 2008 was also marked by two major changes in the sectors of health and safety and protection of the environment.

On the one hand, the development of a risk management system (RMS) was completed and the system was definitively introduced within the company. RMS covers all domains concerning health and safety and the protection of the environment for all Swatch Group companies around the world. For the first time, data concerning environment protection were determined thanks to this system.

On the other hand, for technical reasons, the period of data collection concerning environment protection was brought forward by a term, running from October of the previous year to October of the year under review. The reference data for the comparative period of the previous year was also recalculated.

Progress achieved

The measures taken were again concentrated on the important ecological sectors such as energy, water, air and waste disposal. After the positive repeated reductions during the previous periods, a certain stagnation in the improvement of ecologically efficient activities, already at a high level, was noted in the period under review. With this in mind, the results are the following:

Heat consumption per square meter of floor space (kWh/m²)

The energy consumption per m² of floor space, in the form of oil, natural gas and remote heating, increased slightly compared with the previous period, due to less favorable climatic conditions.

CO₂ emissions resulting from energy consumption

In line with the heat consumption, as mentioned above, the total consumption of fossil fuel and CO₂ emissions also increased compared with the previous period. This development should be considered in the light of the massive reductions noted over the last five years. This increase in energy consumption can in part be justified by a very cold winter and also by the need for additional natural gas for the production units, linked to the rise in production.

Electricity consumption per square meter of floor space

Measured in kWh/m², and compared with the previous period, electricity consumption rose to a lesser extent than the increase in the number of production hours. Moreover, an even higher consumption of electricity was avoided thanks to the installation and use of low-energy-consumption equipment in the different production units. To this should be added the progressive use of eco-friendly produced electricity.

Waste management

The majority of the special waste (not including watch batteries) was recovered and re-used by the metallurgical industry. This is the best recycling route as it does not congest the waste disposal dumps. The rise in the level of the other industrial waste, such as paper, cardboard, plastic and electronic components was insignificant. The proportion of recycled industrial waste was much higher than that of burnt waste.

Battery recycling

The amount of recuperation and recycling of watch batteries was comparable to that of the previous periods and remains at a high level.

Use of water

Despite the rise in production volumes in the different Swatch Group companies, as well as the increase in personnel, shift work and augmentation of the use of water-cooling and air-conditioning installations, drinking water consumption only rose slightly compared with the previous period. The use of non-drinking water rose by nearly 24% in particular because of the increase in production volumes.

Emissions of VOCs (Volatile Organic Compounds)

The progress in production volumes led to an increase in the purchase of products, generating VOCs of only 0.9%, compared with the previous period. This is principally due to the use of alcohol, acetone and benzene as cleaning agents for the pieces produced. As a consequence, the VOCs emitted into the atmosphere also rose slightly. The volume of VOCs recovered and recycled reflected these same proportions.

Green Products

The need to respect the two directives of the European Union concerning RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment) is quite obvious for Swatch Group and, as before, these rulings were strictly observed and adhered to.

Paper consumption

In principal, and as far as the existing infrastructure allows, paper and cardboard is turned to good account. During the period under consideration, the level of collection and recycling of paper and cardboard rose in the same proportion as its consumption.

Risk reduction measures

The ongoing examination of risks is regularly carried out by means of audits undertaken by internal and external specialists. The corresponding preventative methods are then put in place. Fire remains the principal hazard. Particular emphasis is therefore placed on prevention, particularly at the production sites. If, despite these preventative methods, an emergency should occur, elaborate well-defined emergency plans are available. In addition, Swatch Group is considering introducing and applying within the company, over the next three to four years, a Business Continuity Management system.

Social Policy

www.swatchgroup.com/en/human_resources

Fundamental Principles

Aware that the performance of a company depends largely upon the competences and motivation of its employees, Swatch Group continues to ensure that it applies a social policy that makes it a competitive and attractive player in the employment market. It therefore pays particular attention to the definition and application of different processes, in respect to training, management and support, to administer and manage its human resources.

Employment

The development and future of a company is obligatorily linked to the acquiring and nurturing of know-how and the long-term retention of its employees. Swatch Group attaches particular importance to offering its 24 000 employees around the world a stable working environment, essential for both a balanced personal life and professional development. By its size and the number and diversity of its business entities, Swatch Group is considered a major employer for a large number of professions and areas of activity, and can be seen as a key player in the employment market, from which it regularly recruits.

Training

Apprenticeship programs > Acutely aware of its socio-economic responsibilities, the Swatch Group pays particular attention to professional training. Playing an important role in the employment market and for certain professions that are in danger of disappearing altogether, the company is constantly training young apprentices in a wide variety of professions linked to the industries of watchmaking, micro-technology and electronics, in a business, technical, arts and crafts or industrial capacity. By the end of 2008, the companies based in Switzerland had formed 313 apprentices of which about one quarter had reached the end of their training period and were, in the majority of cases, hired by the companies in which they had been trained.

Nicolas G. Hayek Watchmaking Schools > In addition to the Swatch Group apprenticeship program within its companies in Switzerland and offering a concrete response to the long-term needs of the watchmaking sector, the Nicolas G. Hayek Watchmaking Schools, founded on the initiative of the Chairman of the Board of Directors of the Swatch Group, are training a new generation of qualified watchmakers. The five watchmaking schools, the first of which opened its doors in 1999, are located in China (Shanghai), Malaysia (Kuala Lumpur), Germany (Glashütte and Pforzheim) and the United States (Secaucus, New Jersey). A partnership has



also been made with the British School of Watchmaking in Manchester. These schools are training students to become professional watchmakers and the future customer service leaders of the Swatch Group, by providing them with a specialized program, the key to a promising career in an environment that offers good career prospects. After a rigorous selection process, the chosen students benefit from free individualized intensive instruction of the highest standard, given by expert watchmakers, in classes of restricted numbers, according to a program of 3000 hours, over 2–3 years. A total of 54 new trainees were admitted in 2008 to these six schools, whose students and graduates are steadily increasing in number.

Professional Development

Following a management process relating to performance and development of competences, the company's training activities also include on-going training of its employees at all levels, so as to ensure that their professional tasks are executed to the highest possible standard. Desirous to show the value it places on its skill sets, personnel and job positions, the company favors internal promotion and empowerment and therefore defines with the employees concerned their training needs.

Working Conditions

The Swatch Group wants all its employees to be able to benefit from high level social insurance which provides a reassuring level of cover. Through its constant investment in its infrastructures, the company shows its desire to offer good working conditions to its employees. Concerned by all aspects of health and safety in the workplace, it encourages the creation of a positive working atmosphere leading to the personal fulfillment of its employees. International and multicultural, with some 70 different nationalities working within its companies in Switzerland, the Swatch Group is a home to diversity. It also accords great importance to the individual identity of each of its companies and leaves each the freedom to act according to its own particular working customs.

Social Partnership

The Swatch Group engages in open dialogue with the different unions, in a spirit of co-operation so as to reach mutually-beneficial solutions.

Corporate Governance

1. Group structure and shareholders

1.1 Group structure

The Swatch Group is active worldwide and represented in all market and price segments in the watch sector with 19 brands and in the jewelry sector. In addition, it holds an outstanding industrial position with a high degree of verticalization in the Production sector as well as the strategically important sector of Electronic systems. In the Corporate sector, the operational units which provide services for the whole Group are centralized.

The Swatch Group has lean and efficient management structures at all levels. While the Board of Directors deals with the overall management, strategic and supervisory tasks, the operative executive duties are incumbent on the Executive Group Management Board, which is supported by the Extended Group Management Board.

An overview of the operational and of the distribution organizations is given on pages 6 and 7. The consolidated companies, of which none but The Swatch Group Ltd is listed on the Stock Exchange, are given on pages 202, 203 and 204 with each company's name, domicile, share capital and the percentage of shares held.

The shares of The Swatch Group Ltd are listed on the SIX Swiss Exchange AG resp. SWX Europe Ltd (previously called SWX Swiss Exchange virt-x). The bearer shares are listed under the Swiss security numbers 1 225 515 at the SMI, SPI as well as SLI indices. The registered shares are listed under the Swiss security numbers 1 225 514 at the SPI Extra and SMIM indices.

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

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

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

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

1.2 Significant shareholders

As of 31 December 2008, the Hayek Pool, related parties, institutions and persons control 62 752 125 registered shares and 202 575 bearer shares, totalling 40.7% (previous year 39.1%) of the votes.

The Hayek Pool comprises the following members:

Name / Company	Location	Beneficial owners
Mr N. G. Hayek	Meisterschwanden	N.G. Hayek
WAT Holding AG	Meisterschwanden	N.G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	J.N. Schneider-Ammann and Ammann families
Swatch Group Pension Fund	Neuchâtel	—

The companies and institutions close to the Hayek Pool but which do not formally belong to the Hayek Pool are:

Name / Company	Location	Beneficial owners
Hayek Holding SA	Meisterschwanden	N.G. Hayek
Mr N. G. Hayek and family members		N.G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	—
Families Ammann (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by J.N. Schneider-Ammann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	—
Wohlfahrtsstiftung der Renata AG	Itingen	—
Fonds de prévoyance d'Universo SA	Neuchâtel	—

Mr N. G. Hayek's group controls directly, through related parties and institutions and in the context of the Pool 40.0% (previous year 38.5%) of the votes. 4.5% thereof are represented in the context of the Pool contract (previous year 4.1%).

Mrs Esther Grether's group controls 7.5% (previous year 7.2%) of the votes registered at 31 December 2008 in the share register. On 31 December 2008, no other individual shareholder or group of shareholders holding more than 5% is known to the Company.

1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

Corporate Governance

2. Capital structure

2.1 Capital

On 31 December 2008, the capital structure of The Swatch Group Ltd was as follows:

124 045 000 Registered shares at CHF –.45 par value	CHF	55 820 250.00
30 840 000 Bearer shares at CHF 2.25 par value	CHF	69 390 000.00
Total share capital as of 31.12.2008	CHF	125 210 250.00

2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2008.

2.3 Changes in capital

Over the past three years the share capital of The Swatch Group Ltd changed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2006	131 530 000 at CHF –.45 ¹⁾	32 364 000 at CHF 2.25 ¹⁾	132 007 500.00
31.12.2007	128 100 000 at CHF –.45 ²⁾	31 660 000 at CHF 2.25 ²⁾	128 880 000.00
31.12.2008	124 045 000 at CHF –.45 ³⁾	30 840 000 at CHF 2.25 ³⁾	125 210 250.00

¹⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the Annual General Meeting of 19 May 2006: 3 381 327 registered shares and 693 450 bearer shares.

²⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decisions of the Annual General Meeting of 11 May 2007: 3 430 000 registered shares and 704 000 bearer shares.

³⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decisions of the Annual General Meeting of 21 May 2008: 4 055 000 registered shares and 820 000 bearer shares.

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2007 and 2008, is published on page 157. For The Swatch Group Ltd, it is published for the year 2008 in note 7 on page 211. With regard to the previous years we refer to the annual reports 2005, 2006 and 2007.

2.4 Shares and participation

The shares of the Company listed in point 2.1 are fully paid in. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value. No participation notes have been issued.

2.5 Benefit certificates

No benefit certificates exist.

2.6 Limitations on transferability and nominee registrations

The Statutes of the Swatch Group stipulate that the Board of Directors shall refuse the registration of new shares, if the new shareholder fails to give an express written declaration to the effect that he or she acquired the shares in his/her own name and for his/her own account. Furthermore, the Board of Directors refuses a registration if the purchaser, either alone or in conjunction with related persons, already holds 5% or more of the registered share capital (either directly or indirectly) at his disposal, or would exceed this threshold with the new acquisition (Art. 9 para. 3 of the Statutes). The Board of Directors may approve exceptions to this rule in special cases. No such exceptions were requested in the period under review.

Insofar as an individual or a legal entity was already entered in the share register before the reporting date of 31 May 1997 with 5% or more of the registered share capital, the Board of Directors must approve even though the percentage limits have been exceeded. The same exception applies for related persons (spouse, descendant, brother, sister), transfers due to inheritance or matrimonial property rights as well as certain transfers between legal entities or individuals subject to the exception (Art. 9 para. 6 and 7 of the Statutes).

Where a share purchaser presents an application for recognition as a shareholder of the company, he shall be regarded as a shareholder without voting rights until the company has recognized him as a shareholder with voting rights. If the company fails to refuse the purchaser's application for recognition within 20 days, he shall be acknowledged as a shareholder with voting rights. A shareholder who has no voting right may exercise neither the voting right nor the other associated rights.

2.7 Convertible bonds

On 15 October 2003, The Swatch Group Finance (Luxembourg) SA, Luxembourg, launched a bond issue of CHF 411.6 million guaranteed, unsubordinated bonds due 2010, convertible into registered shares with a par value of CHF 0.45, and unconditionally and irrevocably guaranteed by The Swatch Group Ltd. Through its financial company in Luxembourg, the Swatch Group issued the bonds to take advantage of the attractive financing opportunity available in the convertible market in order to dispose of its treasury shares. The cash generated will be used outside Switzerland for general business activities of the Group. The bonds are structured as seven-year traditional full-coupon convertible bonds and are sold to investors with a coupon/yield to maturity of 2.625% (annual) and a conversion price of CHF 49.–. The issuer issues and redeems the bonds at 100 percent. Each bond of par value of CHF 5 000.– is, in accordance with its terms, convertible free of charge into shares. The bond issue was a public bond offering in Switzerland.

Corporate Governance

2.7.1 Payment date/maturity date of the convertible bond

Payment date: 15 October 2003

Maturity date: 15 October 2010

2.7.2 Conversion right/conversion period/conversion price

Each bond in the principal amount of the CHF 5 000.– will be convertible, on any business day during the conversion period, into shares at the conversion ratio. The conversion ratio will be determined by dividing CHF 5 000.–, the principal amount of one bond, by the conversion price (CHF 49.–) prevailing on the conversion date. Fractions of shares will not be issued nor delivered on conversion. Instead cash payments in Swiss francs will be made.

2.7.3 Repayment at the maturity date

Unless the bond has been previously converted, redeemed, or purchased and cancelled, the issuer undertakes to repay the bond at the maturity date (15 October 2010) without further notice, at the principal amount.

2.7.4 Volume of the convertible bond in terms of nominal value and voting rights

The volume of the underlying shares of the convertible bond was 8 400 000 registered shares of The Swatch Group Ltd. The transaction was fully covered by the amount of these underlying shares. On the 31.12.2008 these shares represented 5.4% of all voting rights of the company and 3.0% of the total nominal value of The Swatch Group Ltd. Until 31 December 2008, 16 bonds with a nominal value of CHF 5 000.– each had been converted.

In addition, the Group refers to the prospectus on the convertible bond dated 8 October 2003.

2.8 Options

In 1986, a block of shares was reserved in favor of a management stock option plan in connection with the takeover of control of the Swatch Group by the Hayek Pool. On 31 December 2008, the content of this portfolio amounted to 2 572 039 registered shares; this corresponds to 0.92% of the total share capital (previous year 2 793 762 registered shares, 0.98% of the total share capital). In the year under review 221 723 registered shares (or 0.08% of the total share capital per 31.12.2008) were consequently sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription / payup
2006	81 481	200	2008
2007	62 234	210	2008
2008	78 008	216	2008
Total	221 723		

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

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription / payup
2007	62 361	210	2009
2008	78 008	216	2009
2008	78 201	216	2010
Total	218 570		

Neither the members nor the Chairman and Delegate of the Board of Directors have ever received either options or shares under this plan.

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively.

Corporate Governance

3. Board of Directors

The Board of Directors on 31 December 2008 is composed as follows:

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

Dr h.c. Nicolas G. Hayek, Swiss citizen, Chairman and Delegate of the Board of Directors of the Swatch Group since 1986. Mr N.G. Hayek has been strategic consultant of the Group since 1980, defined the guidelines for the merger of ASUAG-SSIH, and developed the future strategy of the Group. The Universities of Neuchâtel and Bologna have conferred honorary doctorates on him. Mr N.G. Hayek is also Chairman of the Board of the Hayek Group, of which he is the founder and which also occasionally provides services for the Swatch Group. Mr N.G. Hayek acted within the Advisory Board of EPFL (Ecole Polytechnique Fédérale de Lausanne) and was also a member of the temporary advisory «High Level Group» of the European Union. Mr N.G. Hayek was awarded the distinction «Grosses Ehrenzeichen mit Stern» from the government of Austria, he was appointed «Officier de la Légion d'honneur» by the government of France and was nominated honorary citizen of Biel-Bienne as well as of Meisterschwanden (Aargau). In January 2007, Mr N.G. Hayek received the Swiss Lifetime Award, which was awarded for the first time. In 2008, Mr N.G. Hayek constituted Belenos Clean Power Holding Ltd, of which he is Chairman and Delegate. Mr N.G. Hayek does not exercise other executive or supervisory activities outside the Group. He holds neither official function nor political office.

Dr Peter Gross, Swiss citizen, holding a PhD in Law and lawyer by profession, Vice-Chairman of the Board of Directors of the Swatch Group. Mr Gross was a member of the Board of Directors of the predecessor companies ASUAG (since 1977) and from 1981 of SSIH (of which he was the chairman until 1983). Mr Gross, was General Director of the Union Bank of Switzerland, Zurich, then chaired Danzas Holding AG, Basle, as well as the Solothurn Bank SoBa. He performs no operative functions and entertains no commercial relations with the Swatch Group. Otherwise, Mr Gross neither exercises permanent executive or advisory functions nor holds official or political office.

Esther Grether, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1986. Mrs Grether is Chairperson of the Board of the Doetsch Grether Group, Basle, including Beiersdorf AG, Münchenstein. She has headed this group for over 28 years. As the second-largest shareholder after Mr N.G. Hayek, she neither performs any operative functions nor entertains any commercial relations with the Swatch Group. Otherwise, Mrs Grether neither exercises permanent executive or advisory functions nor holds official function or political office.

Nayla Hayek, Swiss citizen, 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 supports the brands, as well as the local organization in Dubai (Swatch Group Middle East), Swatch Group India and the brand Balmain. In the middle of 2007, her advisory mandate has been converted into an employment agreement. Following the signature of collaboration agreements with Tiffany & Co., New York, Mrs Hayek has taken over the operational leadership of the new business entity Tiffany Watches, which was incorporated on 22 January 2008 (Tiffany Watch Co. Ltd). As Board member of the Hayek Group, she is responsible for Hayek Immobilien AG. She holds no official function or political office.

Prof. Dr h.c. Claude Nicollier, Swiss citizen, graduated in Physics and Astrophysics from the Universities of Lausanne and Geneva. Mr Nicollier has been a member of the Board of Directors since 2005. Mr Nicollier resigned from his activities as astronaut at the European Space Agency ESA in March 2007. As an astronaut he was particularly active in the space missions Atlantis 1992, Endeavour 1993, Columbia 1996 and Discovery 1999. The aim of the Endeavour and Discovery missions was the execution of reparation works on the Hubble Space Telescope which were a complete success. The Universities of Geneva and Basel and the École Polytechnique Fédérale de Lausanne, where Mr Nicollier teaches as a titular professor at the school of engineering, have conferred honorary doctorates on him. Mr Nicollier is involved in the «Solar Impulse»-Project and is responsible for the test flights. 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.

Johann Niklaus Schneider-Ammann, Swiss citizen, a qualified ETH engineer, Insead MBA, has been on the Board of Directors of the Swatch Group since 1998. He is Chairman and Delegate of the Board of the Ammann Group Holding AG. He performs no operative leadership functions in the Swatch Group and neither he personally nor the company he represents entertain any commercial relations with the Swatch Group. Mr Schneider-Ammann is a member of the boards of various companies, Chairman of the Mikron Holding AG, Chairman of Swissmem (Swiss Machinery, Electrical and Metal Industry), Zurich, Vice-Chairman of Economiesuisse as well as a member of the Swiss National Council.

Ernst Tanner, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1995. He is Chairman and Delegate of the Board of the Lindt & Sprüngli Group. Before his activity with Lindt & Sprüngli, he was for over 25 years in leading management positions with the Johnson & Johnson Group in Europe and the USA, ending up as Company Group Chairman Europe. He is a member of the Board of Credit Suisse Group. Otherwise, he exercises no other executive or advisory functions and holds no official function or political office.

Corporate Governance

3.4 Elections and terms of office

The members of the Board of Directors are elected at the Ordinary General Meeting of the shareholders for a term of three years. The period between two ordinary General Meetings is regarded as one year. The members of the Board shall be eligible for re-election at any time. There is no limit on the term of office. According to Article 18 of the Swatch Group Statutes the votes and elections take place openly, except where the Chairman orders a written election or vote. One or more shareholders, who together dispose of not less than 10% of the represented votes, may require written votes or elections.

First-time election and remaining term of office of the members of the Board of Directors:

	First-time election	Term of office
Dr h.c. Nicolas G. Hayek	1986	Up to 2010
Dr Peter Gross	1977	Up to 2010
Esther Grether	1986	Up to 2010
Nayla Hayek	1995	Up to 2010
Prof. Dr h.c. Claude Nicollier	2005	Up to 2010
Johann Niklaus Schneider-Ammann	1998	Up to 2010
Ernst Tanner	1995	Up to 2010

Mrs Esther Grether has been designated representative of the bearer shareholders and Mr N.G. Hayek as representative of the registered shareholders.

3.5 Internal organizational structure of the Board of Directors

The Board of Directors is self-constituting. It has appointed a Chairman (Mr N.G. Hayek) and a Vice-Chairman (Dr P. Gross) from its midst. Mr Roland Bloch, who is not a member of the Board of Directors, serves as Secretary to the Board of Directors. The term of office of the Chairman, the Vice-Chairman and the Secretary is, in each case, three years. They are all re-eligible for a further term of office. If an officer is substituted, the successor completes the remainder of the term of the predecessor.

The Board of Directors has an Audit Committee and a Compensation Committee at its disposal. These committees, which sit separately (normally immediately following an ordinary meeting), because of the relatively small number of company directors, comprise all the members of the Board of Directors; the committees are chaired by Mr N.G. Hayek.

The Audit Committee is mainly responsible for the supervision of the financial reporting and for the evaluation of the internal and external audit. The Audit Committee has particularly fulfilled the following functions:

- Review of the Audit reports,
- Reinforcement of points which the auditing firm raised,
- Determination of the audit focal points,
- Discussions of the efficiency of the internal control system including risk management,
- Appraisal of the performance, remuneration and independence of the external auditors,
- Dealing with special questions of the financial statements (for further details see also point 8.4).

The Compensation Committee determines the principles of compensation of the members of the Board of Directors, members of the Executive Group Management Board and members of the Extended Group Management Board and supervises the compliance with these principles (see point 5.1 hereafter). In addition, the salaries and bonuses of the managerial staff (Executive Group Management Board/Extended Group Management Board) including stock options were approved.

In the year under review, the Board of Directors met six times. The meetings lasted approximately three to four hours. Furthermore, the Compensation Committee and the Audit Committee met once. The members of the Executive Group Management Board regularly attend the ordinary meetings of the Board of Directors (second part). Beside the President (CEO) of the Executive Group Management Board, the Chief Financial Officer (CFO) and the Chief Legal Officer (CLO) and, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit and the Compensation Committees.

3.6 Definition of areas of responsibility

The Board of Directors is the highest executive body responsible for the overall administration of the Group. It adopts strategic decisions and defines the means necessary for attaining the long-term goals. It determines, inter alia, the participation and appointment of the members of the Executive Group Management Board, the Extended Group Management Board and the heads of the main Group companies. Moreover, the Board of Directors approves the annual budget of the Group and its affiliated companies and decides on investments over CHF 3 million, as well as on each commercial operation of the affiliated companies which exceeds CHF 10 million. The Board of Directors prepares the General Meeting and drafts the annual report as well as the half-year report.

The Board of Directors has delegated the current operative business to the Executive Group Management Board, the Extended Group Management Board and to the Holding Company Management.

Corporate Governance

The Executive Group Management Board is responsible for implementing Group strategies. It sets strategies and objectives for the Group companies and supervises their management.

The Extended Group Management Board supports and advises the Executive Group Management Board in its operative tasks. It makes suggestions for the development of the Group strategy.

The individual members of the Executive and Extended Group Management Boards manage their allocated areas within the framework of the Group policy and in accordance with guidelines set by the Executive Group Management Board.

The Holding Company Management is responsible for the current operative business of the Holding Company.

3.7 Information and control instruments

Each member of the Board of Directors can request to receive information on all issues concerning the Company and on important issues concerning the Group companies.

The members of the Executive Group Management Board report at the Board of Directors meetings on current business and important business issues. In particular, the members of the Board of Directors regularly receive detailed information regarding turnover and results trends for the Group and Group Divisions. Furthermore, important business issues, new products and the Group's financial status are reported in detail. Moreover, extraordinary occurrences are immediately brought to the attention of the Board.

Outside meetings, each member of the Board of Directors may seek information on the general progress of business from authorized management (after informing the Chairman). With due authorization of the Chairman, they may also demand direct information on individual business transactions. Should the Chairman reject an application for information, a hearing or an inspection (which has never occurred so far), the entire Board of Directors shall decide at the request of the applicant.

To ensure the implementation and compliance of the statutory provisions and the Group's directives (including the rules of the statutes), a Compliance Officer has been appointed at the beginning of 2005. Moreover, the Chairman of the Board of Directors has an Audit-Team available, which he may deploy in specific cases.

4. Group Management

(Executive Group Management Board/Extended Group Management Board)

At 31 December 2008

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

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

Arllette-Elsa Emch, Swiss citizen, holds a degree in Ethnology and History as well as a certificate in Journalism. She has been a member of the Extended Group Management Board since 1998 and of the Executive Group Management Board since December 1999. She joined the Swatch Group in December 1992 as Communications Manager to which position she brought her broad experience as a journalist to bear. She was appointed President of ck watch in 1997 and since then controls this brand which is a joint venture between the Swatch Group and Calvin Klein Inc., New York. Her responsibilities were extended, firstly in 2000, with the management of a company called Dress Your Body (DYB) which designs, develops and produces the lines of jewellery and purchases diamonds and precious stones for the different Swatch Group brands, then, in 2002, with the management of the Léon Hatot brand. She is responsible for Swatch Group Japan and Swatch Group South Korea.

Florence Ollivier-Lamarque, French citizen, is a lawyer and has been a member of the Extended Group Management Board since 1992 and of the Executive Group Management Board since 2005. She is President of Swatch Group France, Swatch Group France Les Boutiques, responsible for Swatch Group Italy and Swatch Group Spain as well as for the watch brand Flik Flak. She has been with the Group since 1988 when it took over the Société Inthor, Paris, which distributed some of the Group's watches in France. At that time, she worked as Swatch and Tissot Brand Manager. In 1990, she took over the management of Swatch Group France and in 2002 the management of Swatch Group France Les Boutiques. She is member of Board of the Colbert Committee, Paris.

Corporate Governance

Dr Mougahed Darwish, Swiss citizen, holds a doctorate in Physics from the ETHL. He has been a member of the Extended Group Management Board since 1994 and of the Executive Group Management Board since 2005, responsible for EM Microelectronic, Micro Crystal, Renata, Microcomponents, Sokymat Automotive (sold in September 2008), Oscilloquartz and Lasag. 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 ran EM Microelectronic as CEO. Today, Mr Darwish is responsible for EM Microelectronic within the Executive Group Management Board. He represents the Group on the Executive Board and Science Council of the CSEM; he is a member of the Swiss Academy of Technical Science. Since 2008, Mr Darwish actively accompanies the project Belenos Clean Power.

Edgar Geiser, Swiss citizen, a Swiss certified expert in Accounting and Controlling, has been a member of the Executive Group Management Board since 1990, and is responsible for Corporate Finance and Reporting, quality assurance and investor relations. He has worked for the Swatch Group since 1978, firstly as assistant to the CFO of the General Watch Co. Ltd., then in various finance functions and as Group Controller. Before joining the Swatch Group, he worked for UBS and General Motors in the finance area. He represents the Group in the regional Wirtschaftsbeirat Mittelland of the Swiss National Bank.

Marc Alexander Hayek, Swiss citizen, 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, Swatch Group Middle East, Central and South America, François Golay, Frédéric Piguet, Valdar and Deutsche Zifferblatt Manufaktur. He joined Blancpain as Marketing Manager in 2001. Mr Hayek had previously worked as an independent entrepreneur (Restaurant Colors, Zurich) and had been employed by Swatch in the PR area and by Certina in marketing.

Dr Hanspeter Rentsch, Swiss citizen, holds a doctorate in Law and a degree in Economics (from HSG St. Gallen and Bern University). As member of the Extended Group Management Board since 1991 and of the Executive Group Management Board since 1995, he is responsible for legal affairs, licenses, strategic projects, non commercial real estate and patent matters (ICB), as well as for Swatch Group Greece and Swatch Group Poland. He joined the legal department of ASUAG in 1978. From 1980, he headed the legal and trademark department of the General Watch Co. Ltd and, after the merger, became General Counsel to the new group. He subsequently assumed additional functions in the areas of licenses, real estate and as Human Resources Responsible. Before joining the Swatch Group, he had been active as scientific assistant (Prof Dr W. R. Schluep, Economic, Commercial and Competition Law chair) at Zurich University. He represents the Swatch Group on the Executive Committee of Economiesuisse, on the Executive Board of the Swiss Employers Association, on the Executive Board of the Swiss section of the International Chamber of Commerce (ICC), and on the Executive Board of the Fédération de l'industrie horlogère suisse FH.

Roland Streule, Swiss citizen, attended business school in Basle. He has been a member of the Executive Group Management Board since 1990 and is responsible for Rado. He joined Rado as Regional Sales Manager in 1978. He has been President of Rado since 1989. From 1994 to 1997, he was responsible for the American and Canadian subsidiary of the Group, with permanent residence in the USA. Before joining the Swatch Group, he was Business Manager of the Ermano Watch Co. Ltd. He represents the Swatch Group on the Executive Board of the Fédération de l'industrie horlogère suisse FH; he is a member of the Board of the Grenchen Trade and Industrial Union and Vice-chairman of the Swiss-German Watchmakers Association.

François Thiébaud, French citizen, studied at the ICG Institut Contrôle de Gestion, Paris and Law at the University of Besançon, and he has been a member of the Extended Group Management Board since 1998 and of the Executive Group Management Board since 2006, with responsibility for Tissot, Mido, Certina as well as Swatch Group Brazil and the Swiss market. He joined the Swatch Group in 1996 as Manager of Tissot. Previously, he had been active as Managing Director of Juvenia and Manager of Breitling. He represents the Group in the AMS Association des fournisseurs d'horlogerie, marché suisse (Vice-Chairman), he is member of the Baselworld Consulting Committee and President of the Baselworld Swiss Exhibitors Committee.

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

Matthias Breschan, Austrian citizen, graduated from the Vienna School of Economics, has been a member of the Extended Group Management Board since 2005 and is responsible for Hamilton and for Swatch Group Mexico. Mr Breschan joined Swatch Group as manager of Hamilton. Previously he worked for three years at Swatch Telecom (as Area Sales Manager and later as head of department). In the meantime he was Managing Director of Aldi in France (Aldi Marché Est). Before joining Swatch Group Mr Breschan worked for Texas Instruments and Alcatel Mobile Phones in the product marketing, international marketing and sales areas.

Pierre-André Bühler, Swiss citizen, technical education, member of the Extended Group Management Board since 2008, responsible for ETA. Mr Bühler started his career within the Group in 1977 as workshop manager at Michel SA in Granges. Later Mr Bühler held executive functions at ETA (Technical manager of the division Michel) and at Nivarox (Production manager). Before taking over the general management of ETA, Mr Bühler worked as managing director of Nivarox-Far (Le Locle).

Corporate Governance

Manuel Emch, Swiss citizen, holds a degree in economics of the University of Lausanne, and trained at the Art Center of La Tour-de-Peilz. He is a member of the Extended Group Management Board since 2005 and is responsible for the East European and Central Asian markets. In September 2001 he has taken over the management of Montres Jaquet Droz. Mr Emch joined Swatch Group in 2001 as project manager in the marketing area of Rado. Before joining Swatch Group, Mr Emch worked first as a consultant in the Business Process Reengineering sector and afterwards in the Brand Management of Philip Morris in Switzerland.

Yann Gamard, French citizen, holds an MBA from Lausanne and has been a member of the Extended Group Management Board since 1998, responsible for Swatch Group Belgium, Swatch Group Germany, Swatch Group Netherlands, Swatch Group Nordic (Denmark, Finland, Sweden, Norway) and Swatch Group UK (as Country Manager a.i.). He joined the Group as Head of Finance of Swatch Ltd in 1995. Prior to that, he held various finance posts with Procter & Gamble, Swatch and Cartier. Before being assigned to the USA as Country Manager, he had worked for Swatch as person in charge of the Telecom division.

Walter von Känel, Swiss citizen, with a commercial training, has been member of the Extended Group Management Board since 1991, with responsibility for Longines. He entered Longines in 1969 and became its President in 1988. Before joining Swatch Group Mr von Känel worked for a watch-dial factory and with the Federal Customs Administration. He is a town councilor of Saint-Imier, member of the Bernese delegation to the Inter-Jurassic Assembly and of the «Conseil du Jura Bernois».

Thomas Meier, German citizen, is a graduate engineer FH from the University of Applied Sciences Karlsruhe (Micromechanics and Microelectronics), with additional training in Business Administration at the University of Munich and an apprenticeship as watchmaker. He has been a member of the Extended Group Management Board since 2005 and is responsible for Frédéric Piguet, Glashütte Original and Swatch Group Thailand. Mr Meier began his activities for Swatch Group in 1994 as project manager at Mido. Later he became project manager for Swatch Access. After a break he returned to Swatch Group in 1999 as project manager and later as production manager a.i. of Breguet. From 2004 until 2008 he was responsible for ETA. Before joining Swatch Group, Mr Meier worked as development engineer for Junghans in Germany.

Kevin Rollenhagen, American citizen, graduated in Economics (BA) at the Michigan State University, has been a member of the Extended Group Management Board since 2005 and is responsible for Swatch Group China and Swatch Group Taiwan, Swatch Group Australia and Country Manager of Swatch Group Hong Kong (he represented these countries from 2000 onwards in the Extended Group Management). Mr Rollenhagen joined Swatch Group in 1989. He started his career as trainee at Tissot and became Regional Sales Manager for Tissot and Omega. Since 1994 he has been active in Hong Kong and China (first as Brand Manager Omega). Before joining Swatch Group Mr Rollenhagen worked with Caterpillar in sales. Mr Rollenhagen represents Swatch Group in the Hong Kong Watch Importers Association where he acts as Treasurer.

Rudolf Semrad, Austrian citizen, with a commercial training, has been a member of the Extended Group Management Board since 2005 and is responsible for Austria and Country Manager of Swatch Group Austria (he represented this country from 2000 onwards in the Extended Group Management Board). Mr Semrad joined Swatch Group as Country Manager and Brand Manager Swatch in Austria in 1995. Previously he worked as sales director at Johnson Wax and Colgate Palmolive. Before joining Swatch Group, Mr Semrad was Managing Director of a watch distribution company in Austria.

Dr Peter Steiger, Swiss citizen, who has a doctorate in Public Economics, has been a member of the Extended Group Management Board since 2002, with responsibility for Corporate Controlling. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, he held leading financial posts with various Group companies (among others Swatch and Longines). Before joining the Swatch Group, he had worked with international groups in Switzerland and abroad (Shell, Philips).

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

The contracts of employment with the members of the Executive and the Extended Group Management Board are entered into for an indefinite period of time and can be terminated by both parties with a six month notice period. In case of a cancellation no termination payment will be due. No entry bonus is paid by Swatch Group when entering new contracts (Golden Hellos).

In case of a change in contract there are no entitlements to any compensation.

Corporate Governance

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

On 1 March 2008, Mr Pierre-André Bühler succeeded Mr Thomas Meier as responsible for ETA, who in turn has become responsible for Frédéric Piguet.

In November 2008, Mr Frank Müller retired. His operational functions for Glashütte Original were temporarily assumed by Mr Guenter Wiegand (as spokesperson of the Board of Directors). Within the Extended Group Management Board Mr Meier is now responsible for Glashütte Original.

4.3 Management Contracts

Within the framework of a global contract, Hayek Engineering AG, Zurich, placed its management personnel in particular at the disposition of the operational activities of Swatch Group Assembly, real estate and logistics.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programmes

The Compensation for the members of the Board of Directors, the Executive Group Management Board and the Extended Group Management Board is determined by the Compensation Committee (see point 3.5). The result-dependent component of the total compensation plays an important role.

The performance-related payment is bound to quantitative and qualitative objectives. The quantitative objectives comprise elements of the sphere of influence of the function bearers and of the whole Group. The qualitative objectives are defined individually and are function related. The achievement of objectives is evaluated once a year.

Elements of remuneration

Basic Salary

The basic salary is paid in thirteen equal instalments. The thirteenth instalment is paid each year in December.

Lump sum expenses

Members of the Board of Directors, of the Executive Group Management Board and of the Extended Group Management Board receive a lump sum compensation for expenses in the amount of CHF 30 000, respectively CHF 24 000 (EKL). This lump sum compensation payment covers representation and small expenses and has been agreed with the tax authority of the Canton of Berne. Upon request by an employee, this amount can be integrated in the basic salary.

Bonus Program

The executive members of the Board of Directors, of the Executive Group Management Board and of the Extended Group Management Board annually receive a variable bonus, which depends on the development of the Group and the sector of activities supervised by the respective person (brands, countries, domain of activities) as well as individual achievements.

At the beginning of the year, a so called bonus potential is defined, which is paid out if the objectives are achieved. If the objectives are surpassed, more than 100% of the potential bonus will be paid. Where individual objectives are not achieved, a proportionate reduction will be made. The bonus is determined and paid out at the beginning of the year, once the annual accounts are available. Provided that the set objectives (turnover, operating profit) will foreseeably be achieved, the beneficiaries receive an advance payment of 70% of the bonus potential in December, if not, a payment of 50% will be made.

The assessment criteria being considered are among other things: turnover growth, evolution of operating profit, EBIT, changes in market shares, evolution of stocks and receivables, accomplishment of development projects, success in negotiations, successful implementation of cost reduction programs, fluctuation of employees, motivation of employees.

For the particular promotion of the Group's interests, a part of the bonus will be awarded as Group bonus.

5.2 Compensation for acting members of governing bodies

In 2008, the members of the Board of Directors received a total amount of CHF 4 510 566. The highest amount reached CHF 2 471 892. For details please refer to the table on page 199. The members of the Executive Group Management Board and the Extended Group Management Board received in 2008 an amount of CHF 29 167 011. In this category the CEO has received the highest remuneration of CHF 5 384 641. Details may be seen on the table on page 200.

Share Program

Members of the Executive Group Management Board as well as the Extended Group Management Board were, under the management stock option plan mentioned under Point 2.8, allocated 149 000 options in total to take up registered shares at an issue price of CHF 4.– each. One third of these was immediately available to be subscribed, paid and claimed. In one and two years respectively, the other thirds will be available.

Neither the members nor the Chairman and Delegate of the Board of Directors received any options or shares.

The aims of the management stock option plan of the Swatch Group are to honour performances of the main Management members, strengthen the motivation and the sense of responsibility in the Group, further the loyalty to the firm as well as the stability of the managing employees and promote a favorable wealth increase. The allocation of shares results from an individual performance report. The voting rights of the shares in possession of the plan will not be exercised.

No compensation was paid to former members of governing bodies.

Corporate Governance

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 31.12.2008 may be consulted on page 201.

Loans to members of the governing bodies

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

The conditions of this mortgage loan are set by the Swatch Group Pension Fund Foundation Board. The conditions are equally applied to all employees of the Swatch Group. At the end of 2008, one such loan had been advanced to one member of the Executive Group Management Board in a total amount of CHF 0.87 million (see note 29d on page 198).

Pension-/Management Funds

The members of management are covered by the Swatch Group Pension Fund under the same insurance regulations that apply to all employees. The insured salary for the year under review is subject to an upper limit of CHF 320 000.

Since 1 January 2003 the members of the Executive and Extended Group Management with employment contracts in Switzerland are additionally insured by the Management Fund of the Swatch Group. The Management Fund supplements the benefits of the Swatch Group Pension Fund. It insures all salaries over CHF 320 000.– up to a maximum of CHF 796 000.–. The contributions to the Management Fund amount to 10%, whereof three quarters (7.5%) are paid by the employer and one quarter (2.5%) is paid by the employee. The administration of the Management Fund has been taken over by the Management of the Pension Fund.

Termination Payment

No termination payments have been made to members of the Board of Directors, the Executive Group Management Board or to the Extended Group Management Board in the reporting year.

6. Shareholders' participation

6.1 Voting rights and representation restrictions

For the exercise of voting rights, no shareholder may combine, either directly or indirectly, more than 5% of the total shareholders' equity in respect of his own shares and those represented by him. This limitation does not apply to the shares which are excluded from the registration prohibition (point 2.6 above). Nor does this restriction apply to the exercise of voting rights in accordance with Art. 689c CO relating to representation by a member of a company body and by independent voting-right representatives or to bank representatives with reference to the shares deposited with them.

Furthermore, pursuant to Art. 16(4) of the Swatch Group Statutes, the Board of Directors is entitled to make exceptions to the limitations in special cases. No exceptions were requested or granted during the business year. A change of the representation restrictions is only possible through a change of the provisions of the Statutes. For such change a decision of the General Meeting with a relative majority is required.

Shareholders may arrange to be represented at the General Meeting only by other shareholders who duly hold a written power of attorney. Registered shareholders may only be represented by other registered shareholders.

6.2 Statutory quorums

In addition to the special quorum regulations provided in Art. 704 CO, the Statutes also apply the same quorum regulation (two-thirds of the votes represented and an absolute majority of the par values of shares) for dismissing members of the Board of Directors.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting is convened pursuant to Articles 13 and 14 of the Swatch Group Statutes. Shareholders who together own at least 10% of the share capital can, at any time, request in writing the convening of an extraordinary general meeting. Such an extraordinary general meeting shall be held within 40 days of the date of receipt of such a request.

6.4 Agenda

Shareholders who represent shares with a par value of one million Swiss francs may submit a written request for a meeting to be held to discuss a particular subject; the motions tabled shall likewise be indicated (see Article 13.2 of the Swatch Group Statutes in conjunction with Art. 699 and 700 OR).

6.5 Entries in the share register

The share register is closed for entries 20 days before each General Meeting.

Corporate Governance

7. Changes of control and defence measures

- 7.1 Duty to make an offer** Art. 10 of the Statutes provides that a shareholder who acquires shares either directly or indirectly or in agreement with third parties and by so doing exceeds the limit of 49 % of voting rights, including the shares that he already possesses, regardless of whether those rights can or cannot be exercised, shall be required to make an offer to purchase all the listed shareholding papers of the Company (Art. 32 BEHG).
- 7.2 Clauses on changes of control** There are no agreements with members of the Board of Directors, the Executive Group Management Board or other managerial staff for the case of a change in the shareholder structure.

8. Auditors

- 8.1 Duration of the mandate and term of office of the lead auditor** «PriceWaterhouseCoopers Ltd» performs since 1992 the function of external auditor of the Group. Before that, the predecessor organizations already served as auditors for the Group and many of its companies. Thomas Brüderlin, Engagement Partner, has been responsible for the Group audit and for the audits of the Group's consolidated financial statements since the 2004 accounting year.
- 8.2 Auditing fees and additional fees (incl. 8.3)** The following auditor's fees have been charged to the 2008 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.1	0.3	0.2	4.6
Other Auditing Companies	1.0	1.4	1.1	3.5
Total 2008	5.1	1.7	1.3	8.1
Total 2007	5.1	1.7	1.1	7.9

- 8.4 Supervisory and control instruments pertaining to the audit** The supervision and final verification of the external audit is exercised by the Audit Committee, and by the full Board of Directors, respectively (see also the duties and functions as described under 3.5). The Audit Committee evaluates together with the Group Management the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Assembly. The Audit Committee meets annually with the auditors. The auditors prepare a report for the Audit Committee regarding the findings of the audit, the financial statement and the internal control. At the annual meeting the audit focus points for the following review period are determined and the audit related key risks established by the auditors are discussed. In collaboration with Group Management the independence of the auditors is evaluated annually. In particular and for this purpose the worldwide fees of the audit are presented, discrepancies with the estimated costs analysed and explained and the budget for the following audit period is determined. The appointment of the auditor is subject to an approval procedure.

9. Information policy

The Swatch Group reports on the business of the Group at the following times:

- 29 January 2009 Turnover of 2008
- 18 March 2009 Press conference with key figures 2008 and annual report
- 15 May 2009 General Meeting of Shareholders
- 20 August 2009 Half-year figures 2009

The information is always published in the Swiss and international press and also published and processed in the publications of leading international banks.

This information can also be called up on the Swatch Group website on www.swatchgroup.com, and especially on the «Investor Relations» chapter. Moreover, the Push-and-Pull System is available to spread announcements, including ad-hoc-announcements.

The Swatch Group business report and half-year report can be obtained free of charge from the Group Headquarters. Inquiries can be made by e-mail at investor.relations@swatchgroup.com or by fax on +41 32 343 69 16 or by telephone on +41 32 343 67 37.

Financial Statements 2008

**Consolidated financial statements
Financial statements of the Holding**



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Financial review

Key financial developments in 2008

– Gross sales:	Total Group gross sales in 2008 up 4.3% in local currencies, up 0.4% in Swiss Francs to CHF 5 966 million (net sales: +0.5% to CHF 5 677 million)
– Segments:	Increase of 6.5% at constant rates and 2.2% in CHF terms in the Group's core business, the segments Watches & Jewelry and Production, excluding Electronic Systems
– Operating profit:	Strong operating profit of CHF 1 202 million (2007: CHF 1 236 million) with solid operating margin of 21.2% (2007: 21.9%)
– Net income:	Due to weak financial result, decrease of the Group's net income to CHF 838 million in 2008 (previous year: record net income of CHF 1 015 million)
– Earnings per share:	Reduced basic EPS of CHF 3.15 per registered share (2007: CHF 3.70) and CHF 15.75 per bearer share (2007: CHF 18.49)
– Dividend:	Unchanged dividend 2008 proposed, per registered share CHF 0.85, per bearer share CHF 4.25, totalling CHF 237 million
– Outlook:	Cautious but not pessimistic outlook for the first months 2009 due to the ongoing financial turmoil, an improvement is expected in the second half of 2009.

Financial review

1. Operating results

Key figures Group

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales	5 966	5 941	+4.3%	–3.9%	+0.4%
Net sales	5 677	5 646			+0.5%
Operating profit	1 202	1 236			–2.7%
– in % of net sales	21.2%	21.9%			
Net income	838	1 015			–17.4%
– in % of net sales	14.8%	18.0%			
Equity	5 451	5 329			+2.3%
– as % of total assets	75.3%	71.5%			
Average return on equity (ROE)	15.5%	19.7%			

After a promising start in 2008 with further strong growth, the year under review turned out to be more challenging. The turmoil and enormous destruction of wealth in the financial markets worldwide infected the economies of many countries, leading to cautious reactions mainly at wholesale level and in some parts of the world to a noticeable drop in watch demand in the last two months of 2008.

Despite these difficult and exceptional circumstances, the Swatch Group was able to increase overall gross sales by 4.3% at constant exchange rates. Foreign currencies were extremely volatile and ultimately had a total unfavorable impact on Group sales of CHF 233 million or –3.9%. In particular the Euro and British Pound, but also the USD and other dollar-related currencies weakened considerably against the Swiss Franc. Only the Yen regained some ground in 2008. The gross sales figure of CHF 5 966 million topped prior year's record result after a period of very strong sales growth between 2006 and 2007, resulting in growth of 22% over a two-year period.

Once again, the Group's core business activities, the segments Watches & Jewelry as well as Production, continued to be the main driving and growth factors. The strategic move to reduce the exposure to non-core business activities such as components for the automotive industry, already initiated in 2007, proved to be a wise and timely decision. The Electronic Systems segment suffered from the difficult market conditions in other areas such as the telephone, automotive and machine industries.

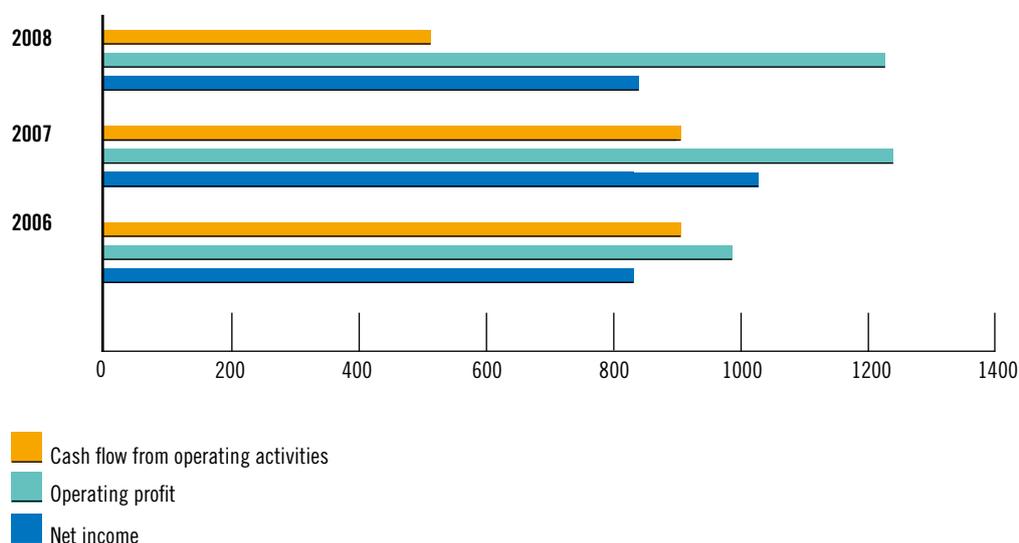
In the year under review, the Group realized a strong operating profit of CHF 1 202 million, which represents an operating margin of 21.2%. Due to a negative financial result, the Group's net income decreased to CHF 838 million (2007: CHF 1 015 million).

Group equity remains very solid with CHF 5 451 million at 31 December 2008. This represents an equity ratio of 75.3%. Return on equity in 2008 was 15.5% (previous year 19.7%).

Financial review

Performance trends

(CHF million)



Segment performance

Watches & Jewelry

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	4 794	4 710			
– Group	2	0			
– Total	4 796	4 710	+6.6%	–4.8%	+1.8%
Net sales	4 547	4 456			+1.9%
Operating profit	828	920			–10.0%
– in % of net sales	18.2%	20.6%			

In 2008, all price categories of the Watches & Jewelry segment reported higher sales in local currencies than in the very strong year 2007. Compared to 2006, the increase amounted even to 28% at constant rates. A noticeable drop in demand in the last months of 2008 mainly at wholesale level reduced the momentum in most brands and markets. Even the luxury brands could not entirely escape this unfavorable trend.

The Group continued to selectively expand its retail activities. This move confirms that the Group believes in the long-term growth of the retail business and its strategy to further expand this field of activities. This positioning with strong visual presence in premier retail locations will continue to pay off in the short as well as in the long term. Already in 2008, our own retail business activities performed considerably better than the wholesale activities. Certain third-party agents and retailers, due to their cautious outlook and in some cases reduced financing capabilities, were to a certain degree more reluctant than in the past to buy in order to satisfy the needs of their clients.

Some countries in Asia, in particular China, and in the Middle East posted double-digit sales growth. The development in Europe and America was more modest, with recession fears starting to weigh on consumer confidence in several countries and markets towards the end of 2008. The slowdown was more acute in the USA in the last few months of 2008, which was offset to a certain degree in other growth markets. In local currencies, however, sales figures for the full year in many areas continued to be remarkable.

Operating profit saw a decrease in this segment to CHF 828 million, which represents an operating margin of 18.2% (compared to 20.6% in 2007). Operating margins remained strong in the first half of the year, but were impacted mainly by additional marketing cost of Olympic summer games in Beijing in the second half of 2008. However, despite the crisis on the financial markets worldwide and in order to encourage the Group's long-term growth, marketing spend was increased and retail activities were further expanded in strategic key locations.

Financial review

Production

(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	659	625			
– Group	1 151	1 059			
– Total	1 810	1 684	+ 7.7%	– 0.2%	+ 7.5%
Net sales	1 742	1 624			+ 7.3%
Operating profit	281	235			+ 19.6%
– in % of net sales	16.1%	14.5%			

The continuing rise in demand for watch movements and components led to a further sales increase, with the Production segment posting gross sales of CHF 1 810 million in 2008, an increase of 7.7% at constant rates versus the strong previous year. The highly integrated, efficient production capabilities were much sought after by internal as well as external customers. Production capacities were in particular strongly utilized to cope with increased demand for Swatch, Flik Flak and special calibers financed by our own Group brand companies. The progress made is also due to important investments in optimizing many production steps. As a result of a continued strong demand, all production companies and in particular ETA and Nivarox contributed with very healthy sales increases to this excellent segment result.

The investments made in the past significantly reduced the existing bottlenecks and expanded production capacities. However, bottlenecks experienced during the past year are still substantial. A survey of internal and external clients revealed a continued high demand. Therefore, in some areas still more efforts are required to be able to serve all third-party customers' requirements as well as the needs of the Group's own brands in a flexible manner. Especially for expensive watch models, it is still difficult to deliver all backorders in time.

The current order books continue to be on high levels and indicate a positive development of the Production segment.

With production running at full capacity, this enabled the profitability of the segment in the year under review to once again increase considerably. The strong rise to an operative margin of 16.1% was helped by the further increased volumes, high utilization of production facilities and, once again, a more favorable product mix towards high-end watch movements.

Financial review

Electronic Systems

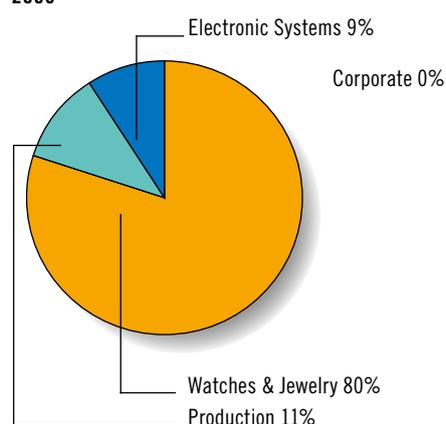
(CHF million)	2008	2007	Change in %		Total
			in local currency	currency effect	
Gross sales					
– Third parties	505	601			
– Group	25	29			
– Total	530	630	– 15.1%	– 0.8%	– 15.9%
Net sales	526	623			– 15.6%
Operating profit	104	99			+ 5.1%
– in % of net sales	19.8%	15.9%			

With the divestment of the Group companies Sokymat Automotive GmbH (Germany) and Michel Präzisionstechnik AG (Switzerland) in the second half of 2008, the Group significantly reduced its exposure to the hard-hit automotive industry. This strategic move, already decided in 2007, before any signs of industry recession, underpins the Group's focus on its core activities. Adjusted by the two divestments, the Electronic Systems segment gross sales decreased by 12.9%. The changed market environment for the Electronic Systems segment, with a strongly impacted automobile sector and a slump in demand for mobile phones, led to this distinct reduction in gross sales.

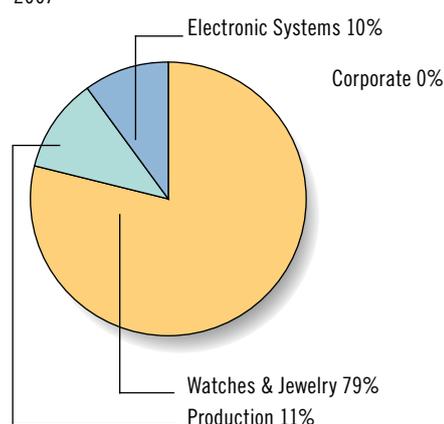
The segment's operating profit achieved CHF 104 million in the year under review, which represents an operating margin of 19.8%. However, this includes the gains on disposal of two Group companies amounting to CHF 45 million. On the other hand, lower capacity utilization and ongoing price pressure on electronic components continued to impact the operating margin during 2008.

Segment share of net sales

2008

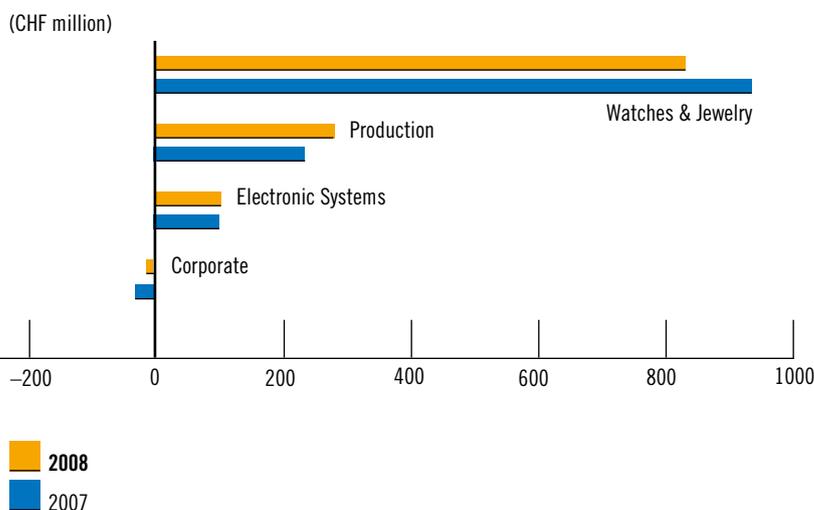


2007



Financial review

Segment share of operating profit



Financial result

An analysis of the net financial result of the Group shows the following:

(CHF million)	2008	2007
Interest income	23	47
Result from marketable securities and derivatives	-163	30
Share of result from associates and joint ventures	5	0
Net currency result	-35	-14
Interest expense and other financial expense	-26	-26
Total net financial result	-196	37

In 2008, interest income was down due to less short-term deposits outstanding and lower interest rates. The extremely negative performance of stock markets led to significant unrealized losses on marketable securities, on positions of companies mostly with solid entrepreneurial values. Given that all marketable securities held by the Group are included in the category «fair-value-through-profit-or-loss», as well as the objective not to realize sales below the initial purchase value, i.e. if required to keep them for a longer period, the financial result will continue to be volatile in the future and influence the Group's net income.

In addition, the general development of foreign currencies with a weak Euro and US Dollar, as well as sudden negative currency moves in December in countries in which the Group gave preference to a financing through loans, resulted in a foreign exchange loss for the year of CHF 35 million.

Income tax

An analysis of the income tax charge is set out in Note 7 to the consolidated financial statements. The income tax charge as a percentage of profit before tax was 16.7% in the current year compared to 20.3% in the previous year. The main reason for this decrease was the dissolution of tax provisions following the settlement of tax disputes in 2008.

Proposed dividend

At the General Meeting on 15 May 2009, a dividend for the financial year 2008 of CHF 0.85 (2007: CHF 0.85) for registered shares and CHF 4.25 (2007: CHF 4.25) for bearer shares will be proposed. This dividend, totalling CHF 237 million with a cash-out impact of CHF 223 million, has not been recognized as a liability in the consolidated financial statements at 31 December 2008.

Earnings per share

Basic earnings per share have decreased in the current year by 14.8% to CHF 3.15 (CHF 3.70 in 2007) for registered shares and CHF 15.75 (CHF 18.49 in 2007) for bearer shares respectively. The decrease in net income compares to a reduced number of shares which is mainly due to the shares bought back in 2008. As in previous years, dilution of earnings is not material. Detailed information can be found in Note 8.

Financial review

2. Financial condition

Liquidity and financial resources

Despite an increase of inventories, higher tax payments as well as difficult market conditions due to the financial turbulences in 2008, the Group realized a considerable operating cash flow of CHF 511 million, which compares to CHF 875 million in 2007. Net investing activities were lower than in 2007, mainly due to the divestment of businesses. The share buyback and the dividend paid accounted for CHF 587 million in financing activities. These factors resulted in a decrease in cash and cash equivalents of CHF 604 million.

Asset and capital structure

The balance sheet continues to remain very solid, with an even stronger equity ratio of 75.3% (compared to 71.5% in 2007). Current liabilities are covered by current assets by a factor of 5.5 (4.6 in 2007).

3. Analysis of value added

The breakdown of total operating revenues, more commonly referred to as total Group performance in calculations of value added (using standard methods), is as follows:

(CHF million)	2008		2007	
Overall Group performance	6 696	100.0%	6 377	100.0%
Material and services	3 815	57.0%	3 282	51.5%
Depreciation	220	3.3%	204	3.2%
Net added value	2 661	39.7%	2 891	45.3%
% change	-8.0		16.1	

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

	2008		2007	
Employees	1 633	61.4%	1 595	55.2%
Public authorities	168	6.3%	258	8.9%
Lenders	22	0.8%	22	0.8%
Shareholders	226	8.5%	196	6.8%
Company	612	23.0%	820	28.3%
Total	2 661	100.0%	2 891	100.0%

4. Outlook

The Board of Directors and the Executive Group Management Board are strongly committed to the Group's clear, healthy growth strategy of broad geographical presence in all main markets of the world, its unprecedented positioning in all market price segments as well as its reliance on its highly integrated production and product development capabilities with its innovative research and technical know-how. In addition, the Group runs a very extensive and efficient distribution system in all important world markets with its own local management close to the end-consumers. The solid balance sheet and the past experience of more difficult market conditions are other key assets in this period. Over the years the Group has developed and steadily trained a high cost-consciousness and operates a dynamic pro-active style of decision taking adopting swiftly to new circumstances, conditions and opportunities.

Therefore, even though the Group anticipates a challenging environment particularly in the first months of the year 2009 and it expects that the confidence at the international level can be restored in the second part of the year, modest growth in 2009 over 2008 is our realistic expectation and planning. The Group will take advantage of interesting opportunities to gain market share and further strengthen its global presence. This fundamental confidence and the long term perspective of the Group is underpinned by the daily monitoring of continued consumer demand experienced in our own retail stores as well as the current size of the order books. It should be noted that the beginning of 2009 has to be compared with extremely successful record first months in 2008.

Consolidated income statement

	Notes	2008		2007	
		CHF million	%	CHF million	%
Gross sales		5 966	105.1	5 941	105.2
Sales reductions		- 289	-5.1	- 295	-5.2
Net sales	(5, 6a)	5 677	100.0	5 646	100.0
Other operating income	(6b)	231	4.1	91	1.6
Changes in inventories		513	9.0	398	7.1
Material purchases		- 1 567	-27.6	- 1 480	-26.2
Personnel expense	(6c)	- 1 633	-28.8	- 1 595	-28.3
Other operating expenses	(6d)	- 1 799	-31.6	- 1 620	-28.7
Depreciation, amortization and impairment charges	(10, 11, 12, 18)	- 220	-3.9	- 204	-3.6
Operating profit		1 202	21.2	1 236	21.9
Other financial income and expense	(6f)	- 179	-3.2	59	1.0
Interest expense	(6f)	- 22	-0.4	- 22	-0.4
Share of result from associates and joint ventures	(6f, 13)	5	0.1	0	0
Profit before taxes		1 006	17.7	1 273	22.5
Income taxes	(7)	- 168	-2.9	- 258	-4.5
Net income		838	14.8	1 015	18.0
Attributable to equity holders of The Swatch Group Ltd		834		1 011	
Attributable to minority interests		4		4	
Earnings per share (EPS) – expressed in CHF per share:	(8)				
Registered shares					
Basic EPS		3.15		3.70	
Diluted EPS		3.10		3.64	
Bearer shares					
Basic EPS		15.75		18.49	
Diluted EPS		15.51		18.18	

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

Consolidated balance sheet

Assets	Notes	31.12.2008		31.12.2007	
		CHF million	%	CHF million	%
Non-current assets					
Property, plant and equipment	(10)	1 465	20.2	1 357	18.2
Investment property	(11)	39	0.5	34	0.5
Intangible assets	(12)	308	4.3	334	4.5
Investments in associates and joint ventures	(13)	127	1.8	6	0.1
Other non-current assets	(15)	113	1.6	70	0.9
Deferred income tax assets	(7)	196	2.7	167	2.2
Total non-current assets		2 248	31.1	1 968	26.4
Current assets					
Inventories	(16)	2 738	37.8	2 273	30.5
Trade receivables	(17)	733	10.1	875	11.8
Other current assets	(18)	283	3.9	383	5.1
Current income tax assets	(7)	7	0.1	6	0.1
Marketable securities and derivative financial instruments	(19)	546	7.6	656	8.8
Cash and cash equivalents	(20)	680	9.4	1 286	17.3
Total current assets		4 987	68.9	5 479	73.6
Total assets		7 235	100.0	7 447	100.0

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

Consolidated balance sheet

Equity and liabilities	Notes	31.12.2008		31.12.2007	
		CHF million	%	CHF million	%
Equity					
Capital and reserves attributable to Swatch Group shareholders		5 436	75.1	5 310	71.3
Minority interests		15	0.2	19	0.2
Total equity		5 451	75.3	5 329	71.5
Non-current liabilities					
Financial debts	(22)	476	6.6	485	6.5
Deferred income tax liabilities	(7)	333	4.6	361	4.9
Retirement benefit obligations	(23)	28	0.4	25	0.3
Provisions	(24)	45	0.6	58	0.8
Total non-current liabilities		882	12.2	929	12.5
Current liabilities					
Trade payables		246	3.4	303	4.1
Other current liabilities	(25)	442	6.1	582	7.8
Financial debts and derivative financial instruments	(22)	53	0.7	36	0.5
Current income tax liabilities	(7)	98	1.4	204	2.7
Provisions	(24)	63	0.9	64	0.9
Total current liabilities		902	12.5	1 189	16.0
Total liabilities		1 784	24.7	2 118	28.5
Total equity and liabilities		7 235	100.0	7 447	100.0

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

Consolidated statement of cash flows

	Notes	2008 CHF million	2007 CHF million
Operating activities			
Cash generated from operations	(27)	842	1 112
Interest paid		-19	-19
Interest received		21	47
Tax paid		-333	-265
Cash flow from operating activities		511	875
Investing activities			
Investments in tangible assets	(10, 11)	-305	-350
Proceeds from sale of tangible assets		7	5
Investments in intangible assets	(12)	-19	-27
Proceeds from sale of intangible assets		1	0
Investments in other non-current assets	(15)	-12	-26
Proceeds from sale of other non-current assets		1	2
Acquisition of subsidiaries – net of cash	(14)	-30	-8
Divestments of businesses	(14)	105	0
Investments in associated companies	(13)	-69	0
Deconsolidation of subsidiaries	(14)	-17	0
Purchase of marketable securities		-353	-852
Sale of marketable securities		193	685
Cash flow from investing activities		-498	-571
Financing activities			
Dividend paid to shareholders		-225	-192
Dividend paid to minority interests		-1	-4
Purchase of treasury shares		-361	-461
Sale of treasury shares		1	1
Repayment of non-current financial debts		-6	-5
Increase in non-current financial debts		0	4
Change in current financial debts		15	-35
Repurchase of convertible bonds		-21	0
Cash flow from financing activities		-598	-692
Net impact of foreign exchange rate differences on cash		-19	6
Change in cash and cash equivalents		-604	-382
Change in cash and cash equivalents			
– At beginning of year		1 284	1 666
– At end of year	(20)	680	1 284

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

Consolidated statement of changes in equity

(CHF million)	Attributable to The Swatch Group Ltd shareholders				Total	Minority interests	Total equity	
	Share capital (Note 21)	Capital reserves	Treasury shares (Note 21)	Other reserves (Note 21)				Retained earnings
Balance at 31.12.2006	132	213	-661	-5	5 279	4 958	9	4 967
Net income for the year					1 011	1 011	4	1 015
Net result on cash flow hedges				-1		-1		-1
Translation differences and other changes				-17		-17		-17
Total recognized income 2007				-18	1 011	993	4	997
Dividends paid					-192	-192	-4	-196
Share-based compensation:								
– Value of employee services (net of tax)					11	11		11
– Proceeds from shares					1	1		1
Changes in minority interests						0	10	10
Share buyback			-461			-461		-461
Share capital reduction	-3		301		-298	0		0
Balance at 31.12.2007	129	213	-821	-23	5 812	5 310	19	5 329
Net income for the year					834	834	4	838
Net result on cash flow hedges				1		1		1
Translation differences and other changes				-95		-95		-95
Total recognized income 2008				-94	834	740	4	744
Dividends paid					-225	-225	-1	-226
Share-based compensation:								
– Value of employee services (net of tax)					10	10		10
– Proceeds from shares					1	1		1
Impact of reclassification to associates					-39	-39		-39
Changes in minority interests						0	-7	-7
Share buyback			-361			-361		-361
Share capital reduction	-4		553		-549	0		0
Balance at 31.12.2008	125	213	-629	-117	5 844	5 436	15	5 451

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

Notes to the consolidated financial statements

1. General information

The Swatch Group Ltd (the Company) and its subsidiaries (collectively the Group) is active worldwide and represented in the finished watches and jewelry sector with 19 brands in all market and price brackets. In addition, it holds an outstanding industrial position with a high degree of verticalization in the sector of watch movements and components production as well as in the electronic systems sector. During the year, no major changes occurred in the Group structure.

The Company is a limited company incorporated and domiciled in Switzerland. Its registered office is located in Neuchâtel, Faubourg de l'Hôpital 3. The administrative headquarters are in Biel, Seedorf 6.

The shares of The Swatch Group Ltd are listed in Switzerland, under the security numbers 1 225 514 (registered shares) and 1 225 515 (bearer shares). While registered shares are traded on the SIX Swiss Exchange, bearer shares are traded on SWX Europe, a London based Exchange for pan-European blue chip stocks. In addition, since 15 February 2007 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 11 March 2009 and will be submitted to the Annual General Meeting of Shareholders for approval on 15 May 2009.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items such as financial instruments at fair value through profit or loss and derivatives, as disclosed in the accounting policies below. The consolidated financial statements are presented in Swiss Francs (CHF) and all values are rounded to the nearest million, unless otherwise stated.

The consolidated financial statements of the Swatch Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The annual closing date for all the individual company accounts is 31 December. For all the companies consolidated, the financial year corresponds to the calendar year.

b. Consolidation policy

The subsidiaries are those entities controlled directly or indirectly by The Swatch Group Ltd, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is generally evidenced by the holding of more than one half of the voting rights of a company's share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Companies are fully consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Minority interests in equity and net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Applying the «economic entity model», this goodwill is charged directly against equity.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements

Associates are all entities over which the Group has significant influence but not control. This is generally evidenced when the Group owns 20% to 50% of the voting rights or potential voting rights of the company. Investments in associates are accounted for using the equity method and are initially recognized at cost. Balances and transactions with associates that result in unrealized income are eliminated to the extent of the Group's interest in the associate. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group's interests in jointly controlled entities (joint ventures) are also reported using the equity method.

At the end of 2008, the Group's consolidated financial statements included 161 legal entities (compared with 161 in the previous year), of which one was a joint venture (one in 2007) and seven were associates (five in 2007). A full list of consolidated companies is provided in Note 32.

c. Changes in accounting policies

The Group has adopted those new/revised IAS/IFRS standards, amendments and interpretations mandatory for financial years beginning on or after 1 January 2008. The principal effects of these changes in policies are described below.

IAS 39 / IFRS 7 Reclassification amendments

The IAS 39, «Financial Instruments: Recognition and Measurement» amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, «Financial Instruments: Disclosures» introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. The Swatch Group did not reclassify any financial instruments in connection with this amendment.

IFRIC 11 IFRS 2 – Group and treasury share transactions

This interpretation provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

This new interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has assessed the application of this interpretation and concluded that it does not have any impact on the Group's financial statements.

The new IFRIC 12 «Service concession arrangements» and IFRIC 13 «Customer loyalty programmes» are not relevant to the Group's operations.

Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but which the Group has not early adopted.

The principal expected effects of these changes are as follows:

IFRS 3 Business combinations (revised) and IAS 27 Consolidated and separate financial statements (revised)

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period of acquisition and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes will affect future acquisitions or loss of control and transactions with minority interests.

Notes to the consolidated financial statements

IFRS 8 Operating segments

The IASB issued IFRS 8 in November 2006 which replaces IAS 14 Segment Reporting. The Group will adopt the new standard as of 1 January 2009. The operating segments determined in accordance with IFRS 8 will be the same as the business segments currently identified under IAS 14. The changes will give rise to additional disclosures.

IAS 1 Presentation of financial statements (revised)

The revised standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. It separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense.

IAS 23 Borrowing Costs (revised)

The revised IAS 23 (amendment issued in April 2007) requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's current policy is to expense borrowing costs as they occur. From 1 January 2009, the Group will capitalize borrowing costs on qualifying assets. However, the impact of this change in accounting policy is not expected to be material.

Improvements to IFRSs

In May 2008 the IASB issued its first collection of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Only the following amendments are expected to have an impact on the Group's financial statements:

- IAS 1 Presentation of financial statements: Assets and liabilities classified as held-for-trading in accordance with IAS 39 are not automatically classified as current in the balance sheet. The Group will analyze if a reclassification as non-current is necessary.
- IAS 38 Intangible assets: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. This amendment will have a minor impact on the Group because it enters into such promotional activities. The relevant accounting policy will be changed as of 1 January 2009.

The Group expects that the adoption of the following pronouncements will have no impact on the Group's financial statements in the period of initial application:

- Amendments to IFRS 1 First-time adoption of IFRS and IAS 27 Consolidated and separate financial statements (effective on 1 January 2009)
- IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (effective on 1 January 2009)
- IAS 39 Financial instruments: Recognition and measurement – Eligible hedged items (effective on 1 July 2009)
- IFRIC 15 Agreement for the construction of real estate (effective on 1 January 2009)
- IFRIC 16 Hedges of a net investment in a foreign operation (effective on 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets (effective on 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective on 1 July 2009)

Notes to the consolidated financial statements

d. Segment reporting

The Group's primary format for segment reporting is business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the different products rather than their geographical location. 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 three separately reportable business segments:

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

Sales to third-party clients are presented separately from sales to other operating divisions, and internal Group sales are recognized at arm's length. Segment expenses are those that can be directly attributed to the segment.

The assets of the segments mainly consist of land and buildings, equipment and machinery, intangible assets, inventories, trade accounts receivable and cash and cash equivalents. Segment liabilities include operating commitments.

In line with common practice in the watch industry, the geographical presentation of sales is broken down by continent. Turnover is reported according to the destinations that appear on the invoices. Total assets are broken down by location.

«Corporate» includes the activities of the Group's holding, finance, research and development, real estate and several other companies, none of which is of a sufficient size to require separate presentation. Group elimination and consolidation entries are shown in the column «Elimination».

e. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss Francs, which is the Company's presentation currency.

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any gains and losses resulting from these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Income statements of Group entities with a functional currency different from the Swiss Franc are translated at average exchange rates as an approximation of exchange rates prevailing at the date of the transaction; balance sheets are translated at the year-end exchange rate. All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on the sale.

In the reporting periods, none of the Group entities has the currency of a hyperinflationary economy.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end rate.

The main exchange rates used are:

	Average rates	Prevailing rates	Average rates	Prevailing rates
	2008	31.12.2008	2007	31.12.2007
	CHF	CHF	CHF	CHF
1 CNY	0.1563	0.1574	0.1579	0.1545
1 EUR	1.5841	1.4940	1.6478	1.6600
1 HKD	0.1390	0.1386	0.1536	0.1447
100 JPY	1.0570	1.1850	1.0194	1.0055
1 USD	1.0817	1.0730	1.1979	1.1280

Notes to the consolidated financial statements

f. Revenue recognition

Revenue is recognized as follows:

Goods and services

Net sales comprise the fair value for the sale of goods and services, net of value-added tax and sales reductions (such as rebates and discounts). Intercompany sales are eliminated on consolidation.

Revenue is recognized when a Group entity has transferred to the customer the significant risks and rewards of ownership of the products and the collectibility of the related receivables is reasonably assured. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract. Revenue from services is recognized in the accounting period in which the service is rendered.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

g. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

– Furniture, office machinery, motor vehicles:	5 to 8 years
– IT equipment and software:	3 to 5 years
– Measuring instruments, tools, equipment for non-mechanical processing automation components:	5 to 9 years
– Machines and mechanical production systems, workshop equipment:	9 to 15 years
– Factories and workshop buildings:	30 years
– Administrative buildings:	40 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

The position «construction in progress» includes buildings under construction, down payments on land and buildings as well as attributable borrowing costs.

h. Investment property

Investment properties comprise mainly residential properties. They are held for long-term rental yields and are not occupied by the Group. Some land reserves are held with undetermined use. Investment property is carried at historical cost less accumulated depreciation and any impairment in value. The useful life of residential properties is estimated at 50 years.

Fair values are disclosed in Note 11. They are determined by capitalization of rental income for rented buildings plus an estimated market value of land reserves.

Notes to the consolidated financial statements

i. Intangible assets

Intangible assets are stated at historical cost less accumulated depreciation and any impairment in value.

Goodwill

Goodwill represents the excess of the acquisition price over the fair value of the Group's share of net identifiable assets of the acquired company at the date of acquisition. Goodwill is tested annually for impairment and in addition, when indications of impairment exist, and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a business segment (see Note 12).

Internally generated intangible assets

To assess the criteria for recognition as an intangible asset, an entity separates the generation of the internally generated intangible assets into a research phase and a development phase. Costs linked to development projects are recognized as intangible assets provided future economic benefits are anticipated. Other research and development costs are recognized as expenses. Once a product enters into commercial production, the capitalized development costs are amortized over the period of anticipated earnings. The amortization period applied does not exceed five years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits extending beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Costs associated with improving software or extending its performance beyond the original specifications are capitalized as an asset and added to the original cost of the software. The capitalized costs associated with the development of software are amortized over their estimated useful lives using the straight-line method over a period not exceeding five years.

Other intangible assets

In addition, the heading intangible assets includes:

- Licenses purchased granting rights to use new state-of-the-art technologies. Related lump-sum payments have been capitalized and amortized over their useful life.
- Key money paid for strategically located retail shops. If their value can be demonstrated by the presence of a market, they are not amortized but tested for impairment. Key money that is not refundable or refundable only upon certain conditions being met is treated as prepaid rent.
- Customer relationships and unpatented technologies acquired in business combinations. They are amortized over a period of up to 15 years.

j. Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization as well as assets not yet ready for use are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The latter is calculated by estimating the future cash flows generated by the asset and discounting them with a risk-adjusted interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the consolidated financial statements

k. Financial assets

Regular purchases and sales of investments are based on the settlement date principle. Marketable securities are initially recorded at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of information on recent arm's length market transactions.

The Group classifies its financial assets, principally investments, in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss (FVTPL)

All the Group's current investments are classified as financial assets at fair value. Some of these financial assets have been designated by management as FVTPL. All other investments are classified as financial assets held for trading. A financial asset is classified in this sub-category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are specifically designated as hedges. All realized and unrealized gains and losses arising from changes in the fair value are recognized in the income statement.

The category financial assets at fair value through profit or loss consists of marketable securities and derivative financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are measured at cost less appropriate impairment losses.

The category loans and receivables consists of trade receivables, other current receivables, security deposits as well as other financial assets.

Summary of financial assets

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

(CHF million)	31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Security deposits (Note 15)	23	23	17	17
Other financial assets (Note 15)	5	5	5	5
Trade receivables (Note 17)	733	733	875	875
Other current receivables (Note 18)	185	185	218	218
Loans and receivables	946	946	1 115	1 115
Marketable securities designated as FVTPL	15	15	22	22
Marketable securities held-for-trading	515	515	631	631
Derivative financial assets	16	16	3	3
Financial assets at fair value (Note 19)	546	546	656	656
Cash and cash equivalents (Note 20)	680	680	1 286	1 286
Cash and cash equivalents	680	680	1 286	1 286
Total financial assets	2 172	2 172	3 057	3 057

l. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average price method. Some companies, particularly those in the Production segment, value their inventories using the standard cost method. As these costs are regularly reviewed and adjusted, this method approximates the results of the weighted average price method. The valuation of spare parts for customer service is confined to those units that are considered likely to be used, based on historical demand.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the applicable variable selling expenses.

Notes to the consolidated financial statements

- m. Non-current assets held for sale** Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.
- n. Trade receivables** Trade receivables are recognized and carried at the original invoice amount less an allowance for any impaired receivables, which corresponds to their fair value. Provision is made for balances overdue more than 12 months or for receivables where specific risks have been identified. Bad debts are written off when there is objective evidence that the Group will not be able to collect the receivables.
- o. Cash and cash equivalents** Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of short-term bank overdrafts.
- p. Share capital and treasury shares** Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares each with a nominal value of CHF 0.45 and of bearer shares each with a nominal value of CHF 2.25. Other than the higher voting power of registered shares, no differences in terms of shareholder rights exist between the two categories. Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.
- q. Financial debts** Financial debts are initially recognized at fair value, including transaction costs incurred. Financial debts are subsequently stated at amortized cost. The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in equity, net of income tax effects. Transaction costs are apportioned between the liability and equity components of the convertible bonds, based on the allocation of proceeds to the liability and equity components when the instruments are first recognized. Financial debts are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Summary of financial liabilities

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

(CHF million)	31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial debts (Note 22)	476	490	485	483
Trade payables	246	246	303	303
Other current payables (Note 25)	112	112	154	154
Current financial debts (Note 22)	50	50	34	34
Financial liabilities measured at amortized cost	884	898	976	974
Derivative financial instruments (Note 22)	3	3	2	2
Financial liabilities at fair value	3	3	2	2
Total financial liabilities	887	901	978	976

Notes to the consolidated financial statements

r. Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivatives can be designated as hedges of a risk associated with a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The Group uses cash flow hedge accounting for forecasted intragroup transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement respectively within the financial result.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of derivatives hedging purchases is recognized in the income statement within material purchases.

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

Derivatives at fair value through profit or loss

Derivatives not designated as hedging instruments are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognized immediately in the income statement.

s. Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the consolidated financial statements

t. Pensions and other post-employment benefits

Pension obligations

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

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

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

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

Other post-employment benefits

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

Termination benefits

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

u. Provisions

Provisions are recognized:

- when the Group has a present legal or constructive obligation as a result of past events
- when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- when a reliable estimate of the amount of the obligation can be made

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Notes to the consolidated financial statements

v. Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. Under the terms of this plan, share options are granted to managers and employees who distinguished themselves by a particular strong commitment to the company or an above-average performance. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted (calculated using the «Black-Scholes» model), excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

A tranche of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. Equity increases by the corresponding amounts of employee service cost over the vesting period. The proceeds received net of any transaction cost are credited to equity when the options are exercised.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 8).

w. Leases

Finance leases

A finance lease is where the lessor transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased item. At the inception of the lease, finance leases are capitalized at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income statement. Capitalized leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

Operating leases

An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

x. Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

y. Comparatives

Certain prior-year figures have been reclassified or extended from the version presented in the prior year annual report, in order to take into account current year presentational changes. The changes are mentioned in the respective notes. There was no impact on the balance sheet and income statement in the years under review.

Notes to the consolidated financial statements

3. Financial risk management

a. Financial risk factors

In view of the global and varied nature of its activities, the Group is exposed to financial market risk (including foreign currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's risk management is essentially focused on identifying and analyzing exchange rate risk, with the aim of minimizing its impact on Group earnings before taxes and net income. In order to hedge exchange rate risk, the Group uses derivative financial instruments such as forward currency contracts or currency options.

Risk management is conducted by the central treasury department (Group Treasury), which follows the directives issued by the Group's management bodies. Risks are assessed in collaboration with the operating units and the hedging methods are decided and implemented under the regular supervision of the Group's Top Management.

1. Market risk

The Group is exposed to market risk, primarily related to foreign exchange, interest rates and the market value of investments of liquid funds. The Group actively monitors these exposures. To manage the volatility relating to these exposures, the Group uses a variety of derivative financial instruments, such as foreign exchange forward contracts or options. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and market rates of investments of liquid funds. It is the Group's policy and practice to use derivative financial instruments to manage exposures and to enhance the yield on the investment of liquid funds.

1.1 Foreign exchange risk

The Group's consolidated financial statements are published in Swiss Francs. As foreign exchange risks are managed centrally by the treasury department (Group Treasury), the local entities are not significantly exposed to specific foreign exchange risks. The foreign exchange risks arise primarily from fluctuation of currencies against the Swiss Franc, mainly the Euro, the US Dollar, the Chinese Renminbi (CNY) as well as the Japanese Yen. Consequently, the Group enters into various contracts that reflect the changes in the value of foreign exchange rates to preserve the value of assets, commitments and anticipated transactions. The Group also uses forward contracts and foreign currency option contracts to hedge certain anticipated net revenues in foreign currencies. Group companies enter into special exchange rate agreements with the Group's treasury department guaranteeing a standard exchange rate for a term of one month. The treasury department, for its part, is responsible for hedging net positions in foreign currencies with external counterparties.

Sensitivity analysis on foreign exchange risk

Financial instruments affected by foreign exchange risk include trade and other receivables, trade and other payables, financial debts, marketable securities, cash and cash equivalents including third party as well as intercompany transactions.

The sensitivity analysis presented in the following table may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments. The size of the exposure sensitive to changes in the exchange rates can fluctuate significantly, so the position at the balance sheet date may not be representative for the financial period on average.

The illustrative effect on earnings after tax that would result from reasonably possible changes in exchange rates can be summarized as follows:

Currency	31.12.2008		31.12.2007	
	Change on exchange rate	Income statement CHF million	Change on exchange rate	Income statement CHF million
		+ -		+ -
CNY / CHF	5%	5 -3	5%	3 -3
EUR / CHF	5%	12 -1	5%	-4 2
HKD / CHF	5%	-5 3	5%	-1 2
JPY / CHF	5%	-5 -1	5%	4 -3
USD / CHF	5%	3 -3	5%	10 -10

As no items are recognized directly in equity, the illustrative impact on equity of the changes in exchange rates shown above is zero.

Notes to the consolidated financial statements

1.2 Price risk

1.2.1 Commodities

The Group has a certain exposure to commodity price risk relating to the purchase of precious metals and gems, which are used in its manufacturing processes. The Group does not enter into significant commodity futures, forward and option contracts to manage fluctuations in prices of anticipated purchases. However, the Holding company has a strategic long position in gold which is valued at market value. The sensitivity analysis presented below is based on the assumption that the gold price had increased/decreased by 10% with all other variables held constant. At 31 December 2008 the impact on profit or loss after tax would have been an increase of CHF 5 million (2007: CHF 14 million) or decrease of CHF 5 million (2007: CHF 14 million) respectively.

1.2.2 Equity investment risk

The Group purchases equity instruments as investments of its liquid funds. Such instruments are recognized as marketable securities. Potential investments need to comply with the asset allocation and portfolio limit structure defined by the Group's management bodies. According to its policy, the Group limits its holdings in equity investments to 10% of its liquid funds. They are thoroughly analyzed in respect to their past financial track record (mainly cash flow return on investment), their market potential, their management and their competitors. Call options are written on equities that the Group owns and put options are written on equities that the Group wants to buy and for which cash has been reserved.

Sensitivity analysis on equity investment risk

The table below summarizes the impact of increases/decreases of the three main equity indexes on the Group's earnings after tax for the year. There is no impact exclusively on equity as none of the equity investments are classified in a financial assets category where the result is recognized directly in equity. The analysis is based on the assumption that the equity indexes had increased/decreased by a certain percentage with all other variables held constant and that all the Group's equity instruments moved according to the historical correlation with the index.

Index	31.12.2008			31.12.2007		
	Change on index	Income statement CHF million		Change on index	Income statement CHF million	
		+	-		+	-
Dow Jones	5%	1	-1	5%	3	-3
SMI + SPI	5%	3	-3	5%	5	-5
Hang Seng				5%	6	-6

Earnings after tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

2. Credit risk

Credit risks in respect of customers arise when they may not be able to settle their obligations as agreed. The credit standing of commercial partners defined in the Group's client credit policy is periodically reviewed at Group level. As there is no independent rating for most customers, their credit quality is assessed by local credit control departments taking into account their financial position, past experience and other factors. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

In the context of securities trading, the Group guards against the risk of default by implementing directives that impose minimum credit ratings for investments in tradable securities. In general, issuer risk is minimized by only buying securities which are investment grade rated. An exception in the overall fixed income management is the high yield portfolio, which usually amounts to approximately CHF 40 million invested. The Group's management regularly monitors strict compliance with these directives.

Counterparty risk is also minimized by ensuring that all derivative financial instruments, money market investments and current account deposits are placed with financial institutions whose credit standings are estimated to be sufficiently reliable and solid. Exposure to this type of risk is closely monitored by Group management and is contained within strict and pre-determined limits. Given the very high standards of creditworthiness applied to the commercial and financial partners, the default risks to which the Group is exposed are estimated to be limited.

Notes to the consolidated financial statements

3. Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. The close monitoring of liquidity at Group level and of the allocation of resources allows the Group's treasury department to maintain adequate levels of liquidity at all times. In order to meet any exceptional liquidity requirements, the Group maintains lines of credit with a number of financial institutions.

As at the balance sheet date, the available liquidity can be summarized as follows:

(CHF million)	31.12.2008	31.12.2007
Cash and cash equivalents	680	1 286
Marketable securities	530	653
Liquidity reserves	1 210	1 939
Committed credit facilities	613	589
./. Utilized credit facilities	-137	-114
Total liquidity reserves and non-utilized credit facilities	1 686	2 414

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(CHF million)	less than 1 year	1 – 5 years	over 5 years
Non-current financial debts	12	402	98
Trade payables	246		
Other current payables	112		
Current financial debts	50		
Derivative financial instruments	565		
Total at 31.12.2008	985	402	98
Non-current financial debts	13	433	87
Trade payables	303		
Other current payables	154		
Current financial debts	34		
Derivative financial instruments	783		
Total at 31.12.2007	1 287	433	87

4. Interest rate risk

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its net exposure to interest rate risk through the proportion of fixed rate debt and variable rate debt in its total debt portfolio.

Due to a comfortable liquidity situation and, as most of the financial debts are issued at fixed rates, interest rate fluctuations do not have a major impact on the Group's financial results.

In the context of balance sheet liabilities management, the Group has not used interest rate swaps during the two years under review, and there are no outstanding positions relating to interest rate swaps in the Group's financial statements.

Sensitivity analysis on bond investment risk

Changes in the market interest rates affect the fair value of bond securities classified in the category financial assets at fair value through profit or loss. The sensitivity analysis presented below is based on the assumption that the interest rates had increased/decreased by 100 basis points for all currencies with all other variables held constant.

At 31 December 2008 the impact on profit or loss after tax would have been an increase of CHF 9 million (2007: CHF 7 million) or decrease of CHF 9 million (2007: CHF 7 million) respectively.

Notes to the consolidated financial statements

b. Capital management

The primary objective of the Group's management is to maintain a strong equity base in order to maintain investor, creditor and market confidence and to sustain future development of the business. As at 31 December 2008, equity represented 75.3% (31 December 2007: 71.5%) of total assets.

The Group's Top Management reviews the capital structure of the Group and the equity of its subsidiaries on a regular basis. As part of the review, management considers the evolution of the capital structure and the risks associated with each of its classes.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new debt or redeem existing debt. There were no changes in the Group's approach to capital management during the year. Neither The Swatch Group Ltd nor any of its subsidiaries are subject to externally imposed capital requirements.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are stated below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use and therefore of the expected future cash flows of the cash-generating units to which the goodwill is allocated. Furthermore, a suitable discount rate is applied in order to calculate the present value of those cash flows. More details are given in Note 12.

Taxes and duties

The Group is subject to various taxes, levies and duties in numerous jurisdictions. In this respect the Group and its subsidiary companies are regularly exposed to audits by the various governmental bodies and authorities, where the outcome of findings particularly in the area of transfer pricing depends very often on individual judgments. Considerable judgment is required in determining tax provisions. Liabilities for anticipated tax audit issues are recognized based on estimates of whether additional taxes will be due. These estimates could prove to be too pessimistic, or in a negative scenario, additional tax liabilities would have to be recorded in the future.

Furthermore, the capitalization of deferred tax assets is based on assumptions about the future profitability of certain Group companies. There is an inherent risk that these estimates made by management may turn out to be too optimistic or too pessimistic.

Allowance for impaired receivables

To cover any shortfalls from current trade receivables, the Group records an allowance for impaired receivables based on historical information and on estimates in regard to the solvency of customers. Unexpected financial problems of major customers could lead to the situation where the recorded allowance is insufficient.

Warranty claims

The Group generally offers a two-year warranty for watches. Management estimates the related provision for future warranty claims mainly based on historical warranty claim information. Factors that could impact these estimates include the success of the Group's quality initiatives, parts and labour costs as well as customer behaviour. Any material change of these factors could result in higher or lower warranty costs for the Group.

Notes to the consolidated financial statements

Legal claims

Some Group companies are involved in litigation and disputes arising from the ordinary course of their business. Management estimated the outcome of these lawsuits on the basis of facts known at the time of closing the books and recorded adequate provisions in line with IAS 37. However, there is an inherent risk that legal claims from adversary parties are successful and cause a significant outflow of economic benefits. Moreover, the Group being listed on the Swiss Stock Exchange also finds itself under permanent review regarding the observation of all rules and regulations. Despite the considerable effort to comply with the increasing number of laws, rules and regulations at all times and on all levels in all countries in which the Group develops activities, there remains a certain risk of oversight which could impact future earnings.

Other factors

The Group and its management is extremely sensitive to all sorts of risks of a globally operating Group with more than 160 affiliated companies in more than 30 countries around the globe. Despite considerable effort in assessing and managing risks on a constant basis, there are many imponderables which could develop a negative impact on the result of a future period.

b. Critical judgments in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Inventory abatements

In determining net realizable values of inventory, management had to use judgment as to whether or not inventory abatements are necessary. Especially for spare parts used in customer service, but also for some watch components and finished goods, judgment calls were made in order to determine a realistic value for these inventory items. Unexpected changes in fashion, technology and customer needs could lead to situations where the actual inventory abatements would need to be increased.

Impairment of assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management determines the amount of impairment losses by applying judgment in regard to the recoverable amount and the future use of an impaired asset. If external factors such as market, technology, etc. change in a way not anticipated by management, there is a risk that additional impairment losses will have to be recorded.

Notes to the consolidated financial statements

5. Segment information

a. Primary segment information (by business segment)

Income statement

2008 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
– Third parties	4 794	659	505	8		5 966
– Group	2	1 151	25	4	–1 182	0
Gross sales	4 796	1 810	530	12	–1 182	5 966
– Third parties	4 545	624	501	7		5 677
– Group	2	1 118	25	4	–1 149	0
Net sales	4 547	1 742	526	11	–1 149	5 677
Operating profit	828	281	104	–11		1 202
– As a % of net sales	18.2	16.1	19.8			21.2
– As a % of total	68.9	23.4	8.6	–0.9		100.0

2007 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
– Third parties	4 710	625	601	5		5 941
– Group		1 059	29	4	–1 092	0
Gross sales	4 710	1 684	630	9	–1 092	5 941
– Third parties	4 456	591	594	5		5 646
– Group		1 033	29	4	–1 066	0
Net sales	4 456	1 624	623	9	–1 066	5 646
Operating profit	920	235	99	–18		1 236
– As a % of net sales	20.6	14.5	15.9			21.9
– As a % of total	74.4	19.0	8.0	–1.4		100.0

Notes to the consolidated financial statements

Balance sheet and other information

2008 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
Balance sheet						
– Segment assets	4 208	1 720	721	2 266	–1 807	7 108
– Equity in associated companies and joint ventures				127		127
Total assets	4 208	1 720	721	2 393	–1 807	7 235
Total liabilities	–1 659	–639	–180	–1 113	1 807	–1 784
Net assets	2 549	1 081	541	1 280	0	5 451

Other information

Capital expenditure	101	152	59	19		331
Depreciation on tangible assets	59	105	36	4		204
Amortization on intangible assets	5	5	4			14
Impairment charges		1	1			2
Share of result from associates and joint ventures				5		5

2007 (CHF million)	Watches & Jewelry	Production	Electronic Systems	Corporate	Elimination	Total
Balance sheet						
– Segment assets	4 147	1 500	899	2 698	–1 803	7 441
– Equity in associated companies and joint ventures		5		1		6
Total assets	4 147	1 505	899	2 699	–1 803	7 447
Total liabilities	–1 653	–489	–336	–1 443	1 803	–2 118
Net assets	2 494	1 016	563	1 256	0	5 329

Other information

Capital expenditure	179	138	70	16		403
Depreciation on tangible assets	49	102	31	3		185
Amortization on intangible assets	5	4	7			16
Impairment charges		2	1			3
Share of result from associates and joint ventures		0		0		0

b. Secondary segment information (by geographic area)

(CHF million)	2008			2007		
	Net sales	Total assets	Capital expenditure	Net sales	Total assets	Capital expenditure
Europe	2 692	5 980	288	2 706	6 077	337
America	545	213	5	603	248	3
Asia	2 321	1 014	37	2 215	1 086	62
Oceania	71	28	1	79	36	1
Africa	48			43		
Total	5 677	7 235	331	5 646	7 447	403

Notes to the consolidated financial statements

6. Revenues and expenses

a. Analysis of sales revenue	(CHF million)	2008	2007
Sales of goods		5 651	5 600
Rendering of services		26	46
Total net sales		5 677	5 646

b. Other operating income In 2008, other operating income amounted to CHF 231 million (2007: CHF 91 million). The increase is mainly due to the timekeeping services rendered at the Olympics in Beijing, but also to gains on disposal of businesses as set out in Note 14.

c. Personnel expense	(CHF million)	2008	2007
Wages and salaries		1 369	1 307
Social security costs		223	217
Share-based compensation (Note 28)		10	11
Pension costs – defined benefit plans (Note 23)		25	56
Pension costs – defined contribution plans (Note 23)		6	4
Other post-employment benefits (Note 23)		0	0
Total personnel expense		1 633	1 595

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

(Unaudited)	2008	2007
Average annual headcount	24 269	22 505
Total headcount at 31 December	24 270	23 577
Men	10 937	10 426
Women	13 333	13 151
Swiss contracts	13 189	12 460
Non-Swiss contracts	11 081	11 117

Headcount is expressed as the number of employment contracts. The number of employees includes home workers, trainees and auxiliary staff.

d. Other operating expenses	(CHF million)	2008	2007
Marketing, sales and administration		924	867
Subcontracting and other direct costs of sales		348	334
Maintenance, rents and energy		396	364
Other operating expenses		131	55
Total other operating expenses		1 799	1 620

e. Research and development costs R&D costs amounted to CHF 161 million in 2008, representing 2.8% of net sales (compared with CHF 155 million or 2.7% in 2007).

f. Net financial result	(CHF million)	2008	2007
Interest income		23	47
Result from marketable securities designated as FVTPL		-5	2
Result from marketable securities held-for-trading and derivatives		-158	28
Net currency result		-35	-14
Other financial expense		-4	-4
Other financial income and expense		-179	59
Interest on convertible bond		-14	-14
Other interest		-8	-8
Interest expense		-22	-22
Share of result from associates and joint ventures		5	0
Net financial result		-196	37

Notes to the consolidated financial statements

7. Income taxes

a. Income tax expenses	(CHF million)	2008	2007
	Current income taxes	228	312
	Adjustments recognized for current taxes of prior periods	1	1
	Deferred income taxes	-61	-55
	Total income taxes	168	258

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.

	2008	2007	
	%	%	
	Group's average expected tax rate	21.2	21.3
	Tax effect of:		
	- Change in the applicable tax rate on temporary differences	-0.8	-0.3
	- Capitalization of tax assets from previous years and utilization of tax losses / unused tax credits	0.0	-0.3
	- Non-taxable income	-0.6	-0.3
	- Non-tax-deductible expenses	1.2	0.0
	- Items taxable at reduced rates	-1.1	-0.7
	- Adjustments recognized for current taxes of prior periods	0.1	0.1
	- Other items	-3.3	0.5
	Group's effective tax rate	16.7	20.3

In 2008, other items included a tax effect of -6.7% following the settlement of tax disputes and +2.5% relating to a reversal of unrecognized deferred taxes on IC participations and loans in application of IAS 12.39.

c. Current income tax	(CHF million)	31.12.2008	31.12.2007
	Current income tax assets	7	6
	Current income tax liabilities	-98	-204
	Net current income tax liability	-91	-198

d. Deferred income tax

Deferred tax assets and liabilities are offset within legal entities when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The deferred tax asset and liability amounts (shown in the following table) are calculated after offsets, and were presented on the consolidated balance sheet as follows:

(CHF million)	31.12.2008	31.12.2007
Deferred tax assets	196	167
Deferred tax liabilities	-333	-361
Net deferred tax liability	-137	-194

The position of net deferred tax liability can be reconciled as follows:

(CHF million)	2008	2007
Balance at 1 January	-194	-247
Translation differences and other movements	-4	-2
Acquisitions (Note 14)	-3	0
Divestments (Note 14)	3	0
Income statement	61	55
Balance at 31 December	-137	-194

Notes to the consolidated financial statements

The gross value of unused tax loss carryforwards which have, or have not, been recognized as deferred tax assets, with their expiry dates is as follows:

(CHF million)	Not recognized	Recognized	Total 2008
One year	4	4	8
Two years	8	5	13
Three years	7	4	11
Four years	12	1	13
Five years	15	2	17
Six years	23	5	28
More than six years	63	58	121
Total at 31.12.2008	132	79	211

(CHF million)	Not recognized	Recognized	Total 2007
One year	0	0	0
Two years	4	0	4
Three years	8	10	18
Four years	7	1	8
Five years	12	1	13
Six years	15	3	18
More than six years	78	40	118
Total at 31.12.2007	124	55	179

Deferred tax assets resulting from deductible temporary differences, tax credits or tax loss carryforwards are recognized only to the extent that realization of the related tax benefit is probable.

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

Deferred tax assets

Source (CHF million)	31.12.2008	31.12.2007
Carryforward tax losses/tax credits	24	18
Non-current assets	19	43
Current assets	152	127
Current liabilities	22	21
Non-current liabilities	10	14
Total	227	223
Offset	-31	-56
Total deferred tax assets on the balance sheet	196	167

Deferred tax liabilities

Source (CHF million)	31.12.2008	31.12.2007
Non-current assets	-96	-110
Current assets	-234	-204
Current liabilities	-9	-9
Non-current liabilities	-25	-94
Total	-364	-417
Offset	31	56
Total deferred tax liabilities on the balance sheet	-333	-361

In 2008 and 2007, there was no deferred tax impact on items charged or credited to equity.

Notes to the consolidated financial statements

8. Earnings per share

a. Basic

	2008	2007
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	834	1 011
Percentage of registered shares outstanding in comparison with the share capital outstanding	42.2%	42.4%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	57.8%	57.6%
Registered shares		
Net income attributable to registered shareholders (CHF million)	352	429
Average number of shares outstanding	111 605 632	115 882 234
Basic earnings per share (in CHF)	3.15	3.70
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	482	582
Average number of shares outstanding	30 596 542	31 485 875
Basic earnings per share (in CHF)	15.75	18.49

b. Diluted

	2008	2007
Net income attributable to equity holders of The Swatch Group Ltd (CHF million)	834	1 011
Interest expense on convertible debt (CHF million)	14	14
Net income used to determine diluted EPS (CHF million)	848	1 025
Percentage of diluted registered shares in comparison with the diluted share capital outstanding	44.0%	44.2%
Percentage of diluted bearer shares outstanding in comparison with the diluted share capital outstanding	56.0%	55.8%
Registered shares		
Net income attributable to registered shareholders (CHF million)	373	453
Average number of shares outstanding – basic (as above)	111 605 632	115 882 234
Potentially dilutive number of shares from convertible bond	8 398 368	8 398 368
Potentially dilutive number of shares from options outstanding	199 642	194 119
Average number of shares outstanding – diluted	120 203 642	124 474 721
Diluted earnings per share (in CHF)	3.10	3.64
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	475	572
Average number of shares outstanding	30 596 542	31 485 875
Diluted earnings per share (in CHF)	15.51	18.18

9. Dividends paid and proposed

On 21 May 2008, the Annual General Meeting approved the distribution of a dividend of CHF 0.85 per registered share and CHF 4.25 per bearer share. The distribution to holders of outstanding shares totaled CHF 225 million (2007: CHF 192 million) and has been recorded against retained earnings in 2008.

At the Annual General Meeting on 15 May 2009, payment of the following dividends for 2008 will be proposed:

	Registered	Bearer
Dividend per share	CHF 0.85	CHF 4.25
Total dividend	CHF 105 438 250	CHF 131 070 000

The financial statements ending 31 December 2008 do not take into account this proposed dividend. Dividends will be treated as a distribution of available earnings during the financial year 2009.

Notes to the consolidated financial statements

10. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings	Advances and construction in progress	Total
(CHF million)					
Historical cost, 1 January 2008	986	2 569	387	53	3 995
Translation differences	22	-38	-14		-30
Business combinations (Note 14)	16	14	1		31
Divestments of businesses (Note 14)	-2	-60	-2		-64
Additions	22	206	40	26	294
Disposals		-74	-18		-92
Transfers	40	9	-1	-48	0
Historical cost, 31 December 2008	1 084	2 626	393	31	4 134
Accumulated depreciation, 1 January 2008	-463	-1 932	-242	-1	-2 638
Translation differences	3	30	10		43
Annual depreciation	-22	-147	-33		-202
Impairment		-1			-1
Depreciation on disposals		69	16		85
Depreciation on divestments of businesses		43	1		44
Transfers					0
Accumulated depreciation, 31 December 2008	-482	-1 938	-248	-1	-2 669
Net book value, 31 December 2008	602	688	145	30	1 465
Insured value					4 832
Net book value of property, plant and equipment under finance lease contracts					1
Total non-current assets pledged to guarantee the commitments of Group companies					94
(CHF million)					
Historical cost, 1 January 2007	911	2 385	336	63	3 695
Translation differences	1	13		-1	13
Business combinations (Note 14)		1			1
Additions	40	208	61	31	340
Disposals	-4	-28	-6		-38
Transfers	38	-10	-4	-40	-16
Historical cost, 31 December 2007	986	2 569	387	53	3 995
Accumulated depreciation, 1 January 2007	-444	-1 826	-219	-1	-2 490
Translation differences	-1	-10			-11
Annual depreciation	-21	-132	-31		-184
Impairment					0
Depreciation on disposals	3	26	5		34
Transfers		10	3		13
Accumulated depreciation, 31 December 2007	-463	-1 932	-242	-1	-2 638
Net book value, 31 December 2007	523	637	145	52	1 357
Insured value					4 679
Net book value of property, plant and equipment under finance lease contracts					1
Total non-current assets pledged to guarantee the commitments of Group companies					86

Notes to the consolidated financial statements

11. Investment property

(CHF million)	2008	2007
Historical cost, 1 January	60	49
Additions	7	10
Disposals	0	0
Transfers	0	1
Historical cost, 31 December	67	60
Accumulated depreciation, 1 January	-26	-24
Annual depreciation	-2	-1
Impairment	0	0
Depreciation on disposals	0	0
Transfers	0	-1
Accumulated depreciation, 31 December	-28	-26
Net book value, 31 December	39	34
Rental income	4	3
Direct operating expenses arising from investment properties that generated rental income	-3	-2
Direct operating expenses arising from investment properties that did not generate rental income	0	0

Based on capitalized rental income for rented buildings plus an estimated market value for land reserves, the fair value of the investment properties is estimated at CHF 68 million at 31 December 2008 compared to CHF 60 million at 31 December 2007. No external independent valuation has been performed.

Notes to the consolidated financial statements

12. Intangible assets

(CHF million)	Capitalized development costs	Other intangible assets	Goodwill	Total
Historical cost, 1 January 2008	33	170	232	435
Translation differences		-8	-1	-9
Business combinations (Note 14)	2	4	6	12
Divestments of businesses (Note 14)		-3	-33	-36
Additions	10	9		19
Disposals	-1	-4		-5
Transfers				0
Historical cost, 31 December 2008	44	168	204	416
Accumulated amortization, 1 January 2008	-12	-89	0	-101
Translation differences		2		2
Annual amortization	-6	-8		-14
Impairment		-1		-1
Amortization on disposals	1	3		4
Amortization on divestments of businesses		2		2
Transfers				0
Accumulated amortization, 31 December 2008	-17	-91	0	-108
Net book value, 31 December 2008	27	77	204	308

(CHF million)	Capitalized development costs	Other intangible assets	Goodwill	Total
Historical cost, 1 January 2007	27	159	226	412
Translation differences		2		2
Business combinations (Note 14)		1	6	7
Additions	8	19		27
Disposals		-13		-13
Transfers	-2	2		0
Historical cost, 31 December 2007	33	170	232	435
Accumulated amortization, 1 January 2007	-8	-89	0	-97
Translation differences		-1		-1
Annual amortization	-4	-12		-16
Impairment				0
Amortization on disposals		13		13
Transfers				0
Accumulated amortization, 31 December 2007	-12	-89	0	-101
Net book value, 31 December 2007	21	81	232	334

There are no accumulated impairment losses in goodwill. Within intangible assets, only goodwill is assumed to have an indefinite life.

Notes to the consolidated financial statements

Goodwill impairment testing

Goodwill is allocated to the Group's cash-generating units (CGUs), which correspond to the profit centers for the segment «Watches & Jewelry» and the reportable segments for the business segments «Production» and «Electronic Systems». A segment-level summary of the goodwill allocation is presented below:

(CHF million)	31.12.2008	31.12.2007
Watches & Jewelry	157	155
Production	36	32
Electronic Systems	11	45
Total	204	232

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate. The discount rates used are derived from a capital asset pricing model using data from Swiss capital markets and reflect specific risks relating to the relevant segments. This is then adjusted to a pre-tax rate.

Ranges of key assumptions used

	2008			2007		
	Watches & Jewelry	Production	Electronic Systems	Watches & Jewelry	Production	Electronic Systems
Estimated growth rate beyond five-year period	1%	0.50%	0%	1%	1%	0.50%
Expected gross margin	56%–64%	26%–30%	31%–35%	56%–68%	27%–32%	35%–40%
Pre-tax discount rate	9.1%	10.2%	10.5%	6.5%	7.4%	7.6%

No impairment charge for goodwill had to be recorded in 2008. Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount.

13. Investments in associates and joint ventures

(CHF million)	2008	2007
Balance at 1 January	6	6
Share of result from associates and joint ventures	5	0
Dividends received	0	0
Investments	69	0
Reclassifications	45	0
Translations differences	2	0
Balance at 31 December	127	6

All associates and joint ventures are recognized using the equity method. They have been listed in Note 32.

The investments in 2008 relate to the acquired stake in Rivoli Group LLC (Dubai), one of the leading lifestyle luxury goods retailers in the GCC (Gulf Cooperation Council) region. Despite having less than 20% of the voting power, the Swatch Group can exercise significant influence due to the representation on the Board of Directors, the access to current financial information and the strategic character of the investment. Due to this significant influence, the investment in Rivoli is considered as an associate.

The reclassifications in 2008 mainly relate to the 8.09% stake in Xinyu Hengdeli (Hong Kong) which has been transferred from marketable securities into associates. As of 9 July 2008, the Group obtained significant influence following a decisive change in Xinyu Hengdeli's Board of Directors and a closer strategic partnership between the two parties. The reclassification as of 9 July 2008 was done at original cost value with the difference to the current fair value being recognized in equity.

Furthermore, the company François Golay SA was reclassified out of investments in associates due to its full consolidation (acquisition of the remaining 65% of the shares, refer to Note 14 Business Combinations). Also, the Group's share in Belenos Clean Power Holding SA has been reduced to below 50%, the company is now considered as an associate.

At 31 December 2008, the fair value of the investment in Xinyu Hengdeli was CHF 33 million.

Sales to and purchases from associates and joint ventures amounted to CHF 159 million (2007: 0 million) and CHF 9 million (2007: CHF 8 million) respectively.

Notes to the consolidated financial statements

The following amounts represent the Group's share of assets, liabilities, revenues and net income of associates and joint ventures:

(CHF million)	31.12.2008	31.12.2007
Assets	100	5
Liabilities	44	3
Revenues	61	4
Net income	5	0

At the balance sheet date, contingent liabilities of associates and joint ventures amounted to CHF 1 million (2007: no material commitments).

14. Business combinations

In January 2008, the Group acquired the business activities of the company H. Moebius & Sohn, Allschwil (Switzerland), a supplier of classic and synthetic oils, lubricants and epilam coatings. In March 2008, another minor transaction involved the acquisition of 100% of the issued capital of Vica Sàrl, Lausanne (Switzerland).

In June 2008, the Group acquired the remaining 65% of François Golay SA, Le Brassus (Switzerland), a developer of high-quality wheels and other watch components. On 4 November 2008, the Group finalized the purchase of the watch components division of Burri AG in Moutier (Switzerland).

In November 2007, the Group had acquired 100% of the issued capital of Indexor SA, a watch index manufacturer based in La Chaux-de-Fonds (Switzerland). In another small transaction, the business of a customer service agent in the US had been acquired. These were the only business combinations effected in the financial year 2007.

All acquisitions have been accounted for using the purchase method of accounting.

The identifiable assets and liabilities acquired in the transactions, the goodwill arising and the cash outflow on acquisitions were as follows:

(CHF million)	Notes	2008		2007	
		Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount
Property, plant and equipment	(10)	31	24	1	1
Intangible assets	(12)	6	0	1	0
Other non-current assets	(15)	0	0	0	0
Current assets		4	4	2	2
Cash and cash equivalents		0	0	0	0
Provisions	(24)	-1	-1	0	0
Deferred tax liabilities	(7)	-3	0	0	0
Other non-current liabilities		-3	-3	0	0
Current liabilities		-1	-1	-2	-2
Previously held interests		-5		0	
Net assets acquired		28	23	2	1
Goodwill (capitalized)	(12)	6		6	
Negative Goodwill (recognized in P&L)		-3		0	
Total purchase consideration		31		8	
Cash and cash equivalents acquired		0		0	
Consideration payable		-1		0	
Cash outflow on acquisitions		30		8	

Notes to the consolidated financial statements

The total acquisition cost basically represented the cash payments made to the vendors. The costs directly attributable to the acquisitions were below CHF 1 million (2007: below CHF 1 million).

The goodwill arising from these acquisitions is attributable to the expected operating synergies from the combinations, the acquired know-how and the reduction of bottlenecks in the production chain. In the case of François Golay SA, the fair values of net assets acquired were in excess of the consideration paid. The resulting negative goodwill of CHF 3 million was recognized in the income statement within other operating income.

The operating results contributed by the acquired entities in the period between the date of acquisition and the balance sheet date amounted to CHF 1 million (2007: below CHF 1 million). Furthermore, if the acquisitions had taken place at 1 January 2008 (1 January 2007), the Group's revenue would have been CHF 7 million (2007: CHF 5 million) higher, and profit would have changed by CHF 1 million (2007: less than CHF 1 million).

Divestment of businesses

In 2008, the Group sold the Group companies Sokymat Automotive GmbH (Germany) and Michel Präzisionstechnik AG (Switzerland) (2007: none) for a total consideration of CHF 109 million. The profit realized on these divestments amounted to CHF 45 million, it was included in other operating income.

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

(CHF million)	Notes	31.12.2008	31.12.2007
Property, plant and equipment	(10)	20	0
Intangible assets	(12)	1	0
Goodwill	(12)	33	0
Current assets		21	0
Cash and cash equivalents		4	0
Provisions	(24)	0	0
Deferred tax liabilities	(7)	-3	0
Other non-current liabilities		-1	0
Current liabilities		-11	0
Net assets disposed of		64	0
Accumulated currency translation gains recognized in equity		0	0
Profit on divestment of businesses		45	0
Total disposal consideration		109	0
Cash and cash equivalents disposed of		-4	0
Net Cash inflow on divestment		105	0

Furthermore, the participation in Belenos Clean Power Holding SA was reduced in 2008 to below 50% and reclassified to associates (refer to Note 13). The cash impact on deconsolidation was a decrease in cash and cash equivalents of CHF 17 million.

Notes to the consolidated financial statements

15. Other non-current assets

(CHF million)	Key money	Security deposits	Other financial assets	Pension assets	Total
Balance at 1 January 2008	48	17	5	0	70
Translation differences	-4				-4
Business combinations (Note 14)					0
Additions	4	7		48	59
Disposals		-1			-1
Transfers to «other receivables»	-11				-11
Balance at 31 December 2008	37	23	5	48	113
Term 1–5 years	29	17	5		51
Term >5 years	8	6		48	62
Balance at 31 December 2008	37	23	5	48	113

(CHF million)	Key money	Security deposits	Other financial assets	Pension assets	Total
Balance at 1 January 2007	43	13	4	0	60
Translation differences	1				1
Business combinations (Note 14)					0
Additions	19	6	1		26
Disposals		-2			-2
Transfers to «other receivables»	-15				-15
Balance at 31 December 2007	48	17	5	0	70
Term 1–5 years	36	11	5		52
Term >5 years	12	6			18
Balance at 31 December 2007	48	17	5	0	70

Security deposits as well as other financial assets are considered as financial instruments (category loans and receivables).

Key money that the Group pays when renting shops in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain. The non-current portion is recognized under «Other non-current assets», while the current component is transferred to «Other current assets». Detail to the pension assets can be found in Note 23.

16. Inventories

(CHF million)	31.12.2008	31.12.2007
Raw materials	226	186
Work in progress	334	340
Semi-finished goods	1 028	950
Finished goods	999	657
Spare parts for customer service	151	140
Total inventories	2 738	2 273

In 2008, the Group reassessed its inventory categories and proceeded with some new definitions in order to improve transparency. This resulted in reclassifications. Components are now integrated in the category «semi-finished goods» and no longer in «raw materials and components». The category «raw materials» has therefore been renamed. The 2007 figures have been reclassified accordingly.

Inventories with risk of obsolescence have been adjusted to their net realizable value. Adjustments of this nature accounted for CHF 19 million in 2008 (CHF 20 million in 2007).

Notes to the consolidated financial statements

17. Trade receivables

(CHF million)	31.12.2008	31.12.2007
Trade receivables – gross	756	896
Allowance for impaired receivables	–23	–21
Total trade receivables – net	733	875

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

(CHF million)	2008	2007
Balance at 1 January	–21	–24
Translation differences	0	0
Utilization	3	6
Reversal	4	3
Creation	–9	–6
Balance at 31 December	–23	–21

The individually impaired receivables mainly relate to amounts overdue more than 12 months and to customers with solvency risks.

The following table provides details of the age of trade receivables that are past due but not impaired:

(CHF million)	31.12.2008	31.12.2007
Neither past due nor impaired	537	696
<3 months	171	156
3–6 months	18	16
6–12 months	7	7
Total past due but not impaired	196	179
Total trade receivables	733	875

Based on past experience with the quality of trade receivables, no material increase in credit losses is expected.

Net trade receivables are recognized in the following major currencies:

(CHF million)	31.12.2008	31.12.2007
CHF	213	212
CNY	38	36
EUR	211	262
JPY	37	44
HKD	27	35
USD	87	109
Other currencies	120	177
Total trade receivables – net	733	875

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.

The maximum exposure to credit risk at the balance sheet date is the fair value of trade receivables. The Group does not hold any collateral as security.

Notes to the consolidated financial statements

18. Other current assets

(CHF million)	31.12.2008	31.12.2007
Other current receivables		
VAT to be refunded	108	135
Other receivables	77	83
Total other current receivables	185	218
Prepayments		
Key money	10	12
Other prepayments and accrued income	88	153
Total prepayments	98	165
Total other current assets	283	383

Current income tax assets are reported on a separate balance sheet line and are also included in Note 7 Income taxes. No impairments were recognized on other receivables (2007: CHF 3 million). Except for prepayments, other current assets are considered as financial instruments.

19. Marketable securities and derivative financial instruments

(CHF million)	31.12.2008	31.12.2007
Equity securities	111	210
Bond securities	378	231
Investment funds	29	70
Other investments	12	142
Total marketable securities	530	653
Derivative financial instruments	16	3
Total marketable securities and derivative financial instruments	546	656

All marketable securities and derivative financial assets are classified in the category «financial assets at fair value through profit or loss». Changes in fair values are recorded in the income statement (see Note 6f).

In 2007, other investments contained essentially the 8.09% stake in Xinyu Hengdeli Holdings Ltd., whose shares are listed on the Hong Kong stock exchange. In 2008, the Group has reclassified this investment into associates (refer to Note 13).

The table below gives an overview of the contract values and fair values of derivative financial instruments by type of contract.

Type	31.12.2008			31.12.2007		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
(CHF million)						
Forward foreign exchange rate contracts	565	16	-3	626	3	-1
Currency options	0	0	0	0	0	0
Options on equity securities	0	0	0	0	0	0
Total trading	565	16	-3	626	3	-1
Forward foreign exchange rate contracts	0	0	0	157	0	-1
Currency options	0	0	0	0	0	0
Total hedge accounting	0	0	0	157	0	-1
Total	565	16	-3	783	3	-2

Notes to the consolidated financial statements

At the end of 2008, no hedges were outstanding. In 2008, CHF 1 million was recycled from equity as a result of the application of hedge accounting (2007: CHF 1 million charged to equity). The impact on the income statement 2008 was a gain of CHF 3 million (2007: CHF 0 million). The derivative financial liabilities are included in current financial debts.

The detail by currency of the contract values of derivative financial instruments can be summarized as follows:

Type (CHF million)	2008					2007				
	EUR	JPY	HKD	Other	Total	EUR	JPY	HKD	Other	Total
Forward foreign exchange rate contracts	270	126	58	111	565	440	26	53	107	626
Currency options	0	0	0	0	0	0	0	0	0	0
Options on equity securities	0	0	0	0	0	0	0	0	0	0
Total trading	270	126	58	111	565	440	26	53	107	626
Forward foreign exchange rate contracts	0	0	0	0	0	157	0	0	0	157
Currency options	0	0	0	0	0	0	0	0	0	0
Total hedge accounting	0	0	0	0	0	157	0	0	0	157
Total	270	126	58	111	565	597	26	53	107	783

At 31 December 2008, the contracts have a term of up to one year. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

20. Cash and cash equivalents

(CHF million)	31.12.2008	31.12.2007
Current accounts and liquid assets	378	526
Short-term deposits with financial institutions	302	760
Total	680	1 286

The average yield on short-term bank deposits corresponds to the average interest rate on an investment on the money markets with a term of up to three months.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include the following items:

(CHF million)	31.12.2008	31.12.2007
Cash and cash equivalents	680	1 286
Current account overdrafts (Note 22)	0	-2
Total	680	1 284

Notes to the consolidated financial statements

21. Share capital and reserves

Over the past three years, the share capital of The Swatch Group Ltd has changed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2005	134 911 327 at CHF 0.45	33 057 450 at CHF 2.25	135 089 359.65
Cancellation ¹⁾	-3 381 327 at CHF 0.45	-693 450 at CHF 2.25	-3 081 859.65
31.12.2006	131 530 000 at CHF 0.45	32 364 000 at CHF 2.25	132 007 500.00
Cancellation ²⁾	-3 430 000 at CHF 0.45	-704 000 at CHF 2.25	-3 127 500.00
31.12.2007	128 100 000 at CHF 0.45	31 660 000 at CHF 2.25	128 880 000.00
Cancellation ³⁾	-4 055 000 at CHF 0.45	-820 000 at CHF 2.25	-3 669 750.00
31.12.2008	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

¹⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the AGM of 19 May 2006.

²⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the AGM of 11 May 2007.

³⁾ Buyback of shares on the Group's 2nd trading line and cancellation following the decision of the AGM of 21 May 2008.

At year-end 2008 as well as 2007, there was no authorized or conditional capital. All issued shares are fully paid. No benefit certificates exist. In accordance with the articles of incorporation of the Swatch Group, the Board of Directors shall refuse a registered share ownership of more than 5% per shareholder. In exceptional cases, the Board of Directors may consent to an exception to this rule.

Shares of The Swatch Group Ltd held by the Group are recognized in the consolidated financial statements at their historical cost. The value of these shares is charged against consolidated equity.

Under the completed share repurchase program, which ran from 10 December 2007 to 9 September 2008, 3 920 000 registered shares and 755 000 bearer shares for a total value of CHF 420 million were repurchased.

Equity increased by CHF 10 million in 2008 (net of taxes) (2007: CHF 11 million), due to the stock option plan. Details to the share options issued in connection with the employee stock option plan are given in Note 28.

Other reserves can be summarized as follows:

(CHF million)	31.12.2008	31.12.2007
Equity component of convertible bond	15	16
Cash flow hedges:		
- Fair value result	-2	-1
- Tax on fair value result	0	0
- Transfers to material purchases	3	0
- Transfers to financial result	0	0
Translation and other differences	-133	-38
Total other reserves	-117	-23

Notes to the consolidated financial statements

22. Financial debts and derivative financial instruments

(CHF million)	31.12.2008	31.12.2007
Convertible bond	384	402
Other non-current debt	92	83
Total non-current financial debts	476	485
Current account overdrafts	0	2
Short-term leasing commitments	0	0
Short-term bank debt	50	32
Total current financial debts	50	34
Derivative financial instruments	3	2
Total current financial debts and derivative financial instruments	53	36
Total financial debts	529	521

The exposure of the Group's financial debts to interest rate changes is limited as most of these debts have fixed interest rates. The contractual repricing dates at the balance sheet date are as follows:

(CHF million)	less than 1 year	1 – 5 years	over 5 years	Total
At 31.12.2008	53	386	90	529
At 31.12.2007	36	405	80	521

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

(CHF million)	31.12.2008	31.12.2007
Swiss Franc (CHF)	389	404
Japanese Yen (JPY)	114	99
Euro (EUR)	4	6
Other currencies	22	12
Total	529	521

Convertible bond

On 15 October 2003, The Swatch Group Finance (Luxembourg) SA issued convertible bonds valid from 15 October 2003 to 15 October 2010 and with a coupon of 2.625%, for a total of CHF 411 600 000. During the conversion period, these bonds with a nominal value of CHF 5 000 may be converted into registered shares of The Swatch Group Ltd at CHF 49.00 each.

The bond issue has been split into an equity and a liability component, recognized on the balance sheet under the corresponding headings. The fair value of the liability component, recognized as long-term debt, was determined by reference to the market rate (3.248% per year) of an equivalent non-convertible bond. The residual value (the conversion option) was recognized as equity.

Until conversion or redemption of the bond issue, the liability component and all related adjustments will be accounted for using the effective interest rate method. The equity portion was determined at the time of issue and will not be modified at a later date.

The convertible bond issue is recognized as- follows:

(CHF million)	2008	2007
Liability component at 1 January	402	399
Coupon interest at market rate	14	14
Coupon interest at 2.625%	-11	-11
Partial repurchase of convertible bonds against cash	-21	0
Liability component at 31 December	384	402

In 2008, the Group repurchased 4 313 convertible bonds with a total nominal value of CHF 22 million at an average price of 98.45%. The realized gain relating to the liability component of less than CHF 1 million was recognized within financial income. In 2008 and 2007, no bonds had been converted. The closing rate of the convertible bond on the Swiss Stock Exchange SIX at end-2008 was 101.10% (142.10% at end-2007).

Notes to the consolidated financial statements

23. Retirement benefit obligations

a. Defined benefit plans

The Group has numerous independent pension plans. Defined benefit pension plans cover a significant number of the Group's employees. The Group's Swiss pension fund is also treated as a defined benefit pension plan. Other defined benefit plans are located in Japan, Korea, Italy, Taiwan, Malaysia, Germany, UK and the USA. The defined benefit obligations and related assets are reassessed annually by independent actuaries. The following is a summary of the status of the Group's defined benefit pension plans:

(CHF million)	2008	2007
Present value of funded obligations	-3 124	-3 264
Fair value of plan assets	2 814	3 590
Excess of assets / (liabilities) at 31 December	-310	326
Present value of unfunded obligations	-15	-18
Unrecognized actuarial loss	348	6
Unrecognized past-service cost	0	0
Unrecognized surplus due to asset ceiling	0	-336
Net asset / (liability) in the balance sheet at 31 December	23	-22

In 2008 the Group integrated the plan assets of several welfare foundations whose beneficiaries are Swiss employees. These plan assets amounted to CHF 280 million at the restatement date of 1 January 2007. The prior years' figures in Note 23 were restated accordingly. In the past, due to some restrictions, the plans' economic benefits for the Group were very limited. In light of the current economic environment, it is assumed that these benefits will be available to the Group. Due to the capitalization limits caused by the corridor approach and the mechanism of IAS 19.58B, there was no impact on the Group's balance sheet as at 31.12.2006 or 31.12.2007 or the income statement 2007 as a result of this integration.

Periodic pension cost for defined benefit plans

(CHF million)	2008	2007
Current service cost	-114	-85
Interest cost	-105	-103
Expected return on plan assets	144	139
Actuarial gains/(losses)	-340	-110
Past-service cost	0	0
Employee contributions	54	50
Gains/(losses) on curtailment	0	1
Impact of asset ceiling	336	52
Total periodic pension cost	-25	-56

Despite significant fair value losses on plan assets in 2008, the pension cost 2008 decreased from CHF 56 million in 2007 to CHF 25 million in the current year. This one-off impact in 2008 due to the unrecognized actuarial losses according to IAS 19 will reverse in 2009 and lead to periodic pension costs similar to 2007.

Movement in the fair value of plan assets

(CHF million)	2008	2007
1 January	3 590	3 464
Expected return on plan assets	144	139
Actuarial gains/(losses)	-872	39
Exchange differences	-7	-5
Employer contributions	66	62
Employee contributions	54	50
Effect of acquisitions or divestments	0	0
Benefits paid	-161	-159
31 December	2 814	3 590

Pension plan assets include the company's registered shares with a fair value of CHF 162 million (2007: CHF 379 million) and the company's bearer shares with a fair value of CHF 29 million (2007: CHF 69 million). Furthermore, buildings occupied by the Group amounting to CHF 12 million (previous year CHF 11 million) were included in the pension plan assets.

Notes to the consolidated financial statements

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets was a loss of CHF 728 million (2007: gain of CHF 178 million). The Group expects to contribute CHF 67 million to its post-employment benefit plans in 2009.

Asset allocation of plan assets

	31.12.2008		31.12.2007	
	CHF million	%	CHF million	%
Equity	826	29.4	1 342	37.4
Bonds	1 163	41.3	1 343	37.4
Real estate	607	21.6	609	17.0
Other assets	218	7.7	296	8.2
Total	2 814	100.0	3 590	100.0

Movement in the present value of defined benefit obligation

(CHF million)	2008	2007
1 January	-3 282	-3 106
Current service cost	-114	-85
Interest cost	-105	-103
Actuarial gains/(losses)	188	-143
Exchange differences	12	5
Benefits paid	162	161
Reclassification ¹⁾	0	-13
Effect of acquisitions or divestments	0	0
Curtailments	0	2
Settlements	0	0
31 December	-3 139	-3 282

¹⁾ Reclassification from other post-employment benefit obligations in 2007.

Principal actuarial assumptions used

	2008	2007
	%	%
	Weighted average	Weighted average
Discount rate	3.25	3.25
Expected return on plan assets	4.00	4.00
Future salary increases due to inflation	1.25	1.25
Future pension increases due to inflation	0.00	0.00

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

Defined benefit plans: summary

(CHF million)	2008	2007	2006	2005
Present value of defined benefit obligation	-3 139	-3 282	-3 106	-2 997
Fair value of plan assets	2 814	3 590	3 464	3 255
Over/(under) funding	-325	308	358	258
Experience adjustments on plan liabilities – loss / (gain)	29	133	70	56
Experience adjustments on plan assets – gain / (loss)	-872	39	130	237

Notes to the consolidated financial statements

b. Post-employment medical benefits plan The Group operates a post-employment medical scheme in the USA. It represents a defined benefit obligation at 31 December 2008 of CHF 3 million (2007: CHF 3 million). This plan is included in the defined benefit obligations presented above. The method of accounting and the frequency of valuation are similar to those used for benefit pension schemes. A one percentage point increase or decrease in assumed medical cost trend rates would lead to an absolutely insignificant change in the defined benefit obligation.

c. Other post-employment benefit obligations In addition to the defined benefit pension plans, the Group has liabilities for other post-employment benefits for employees working abroad. At 31 December 2008, these liabilities amounted to CHF 3 million (31 December 2007: CHF 3 million).

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

(CHF million)	31.12.2008	31.12.2007
Defined benefit plan asset	48	0
Total pension asset (Note 15)	48	0
Defined benefit plan liability	-25	-22
Other post-employment benefit obligations	-3	-3
Total retirement benefit obligations	-28	-25

e. Defined contribution plans Amounts recognized in the consolidated income statement relating to contributions to defined contribution plans represent the employer's contributions and are calculated according to the regulations of various pension institutions. In 2008, these contributions amounted to CHF 6 million (CHF 4 million in 2007).

24. Provisions

(CHF million)	Warranties	Litigation	Other	Total
Balance at 1 January 2008	83	17	22	122
Translation differences	-5		-1	-6
Additional provisions	71	5	5	81
Reversal of provisions	-6	-11	-3	-20
Acquisitions / divestments			1	1
Provisions used during the year	-66		-4	-70
Balance at 31 December 2008	77	11	20	108

Analysis of total provisions

(CHF million)	31.12.2008	31.12.2007
Non-current provisions	45	58
Current provisions	63	64
Total	108	122

a. Warranty In the majority of cases, the Group offers a two-year warranty covering the repairs or replacement of products that do not perform to customers' satisfaction. The provision made at year-end to cover future 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 facts known at the time of closing the books and recorded adequate provisions in line with IAS 37. However, there is an inherent risk that legal claims from adversary parties are successful and cause a significant outflow of economic benefits.

c. Other Other provisions relate to various present legal or constructive obligations of the Group companies toward third parties.

Notes to the consolidated financial statements

25. Other current liabilities

(CHF million)	31.12.2008	31.12.2007
Advance payments	15	16
VAT due	20	22
Other payables	77	116
Total other current payables	112	154
Accrued expenses and deferred income	330	428
Total other current liabilities	442	582

Current income tax liabilities are reported on a separate balance sheet line and are also included in Note 7 Income taxes. Except for accrued expenses and deferred income, other current liabilities are considered as financial instruments.

26. Commitments and contingencies

a. Guarantees and sureties

At 31 December 2008, guarantees to third parties as security for commitments of Group companies amounted to less than CHF 1 million (less than CHF 1 million at end-2007).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 23 million at 31 December 2008 (CHF 19 million at end-2007). This increase is due to cash deposits in favor of landlords (retail business rental contracts).

b. Leasing, rental and other commitments

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

(CHF million)	31.12.2008	31.12.2007
Less than 1 year	129	117
Between 1 and 5 years	299	298
Over 5 years	246	257
Total	674	672
Proportion of contracts with renewal option (% of total amount)	68.5	74.6
Maximum risk (% of total amount)	91.6	93.1

The figures in the preceding table include all rental contracts for buildings, a major part of which relate to the Group's retail business, and to all other standard rental contracts existing at 31 December 2008. Leasing costs amounting to CHF 129 million were recognized in the 2008 income statement (CHF 107 million in 2007). A sublease clause is included in a large number of rental contracts for retail shops. Moreover, if the need arises, the Group may negotiate early termination of a lease contract with exit terms considerably more favorable than the payment of the entire commitment specified in the initial contract.

Other commitments relating to investments in tangible fixed assets entered into by the Group, and ongoing at 31 December 2008, amounted to CHF 4 million (CHF 5 million in the previous year).

c. Contingent assets and liabilities

Some Group companies are involved in litigation and disputes arising from the ordinary course of business and they may be liable to pay compensation. The effect of these lawsuits, not all of which are covered by insurance, on future operations and earnings is not predictable.

In some cases the Group is defending its rights where there is also an inherent chance of inflows of economic benefits if the cases are successful.

Notes to the consolidated financial statements

27. Cash generated from operations

(CHF million)	Notes	2008	2007
Net income		838	1 015
Share of result from associates and joint ventures	(13)	-5	0
Taxes	(7)	168	258
Depreciation of tangible assets	(10, 11)	204	185
Amortization of intangible assets	(12)	14	16
Impairment charge	(10, 12, 18)	2	3
Divestment gain from disposal of subsidiaries	(14)	-45	0
Profit on sale of fixed assets		-3	-4
Loss on sale of fixed assets		2	3
Fair value gains on marketable securities		-31	-51
Fair value losses on marketable securities		218	62
Interest income	(6f)	-23	-47
Interest expense	(6f)	22	22
Expenses for equity-settled equity compensation plan	(28)	10	11
Changes in working capital (without liquid funds):			
– Inventories		-514	-400
– Trade and other receivables		184	-149
– Trade payables and other current liabilities		-149	189
Changes in provisions		-8	6
Changes in pensions and other retirement benefits		-42	-7
Cash generated from operations		842	1 112

28. Employee stock option plan

When the Hayek Pool acquired control of the Swatch Group, a block of shares was reserved in 1986 for an equity-settled management stock option plan.

Under the terms of this plan, share options are granted to managers and employees who distinguished themselves by a particular strong commitment to the company or an above-average performance. One-third of the options granted can be exercised immediately, one-third after twelve months, and the remaining third after 24 months (European style). Options are conditional on the employee completing the service until the respective date of exercise. Options are not transferable and only exercisable by the employee. The Group has no legal or constructive obligation to repurchase or settle the options in cash. A tranche of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. When the options are exercised, Group equity increases by the corresponding amounts.

At the end of 2008, this portfolio comprised 2 572 039 registered shares (2 793 762 at the end of 2007). In 2008, 221 723 registered shares were exercised at a preferential price of CHF 4.00 per registered share.

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

	2008	2007
	Options	Options
Options outstanding at 1 January	206 328	240 773
Granted	234 217	187 091
Forfeited or lapsed	-252	-137
Exercised	-221 723	-221 399
Options outstanding at 31 December	218 570	206 328

All options included in the table above have an exercise price of CHF 4.00.

Share options outstanding at the end of the year have the following expiry date:

Expiry date	Share options	
	31.12.2008	31.12.2007
2008		143 892
2009	140 369	62 436
2010	78 201	
Total	218 570	206 328

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The fair value of the options granted during the period was determined by using the Black-Scholes option pricing model. The expected volatility has been set by reference to the implied volatility of options available on Swatch Group shares in the open market, as well as historical patterns of volatility. The following table shows the assumptions on which the valuation of share options granted in 2008 and 2007 was based:

	2008		2007	
	Tranche exercisable in 1 year	Tranche exercisable in 2 years	Tranche exercisable 1 year	Tranche exercisable in 2 years
Grant date	10 July 2008	10 July 2008	12 July 2007	12 July 2007
Expiration date	10 July 2009	10 July 2010	12 July 2008	12 July 2009
Closing share price on grant date	CHF 43.65	CHF 43.65	CHF 69.15	CHF 69.15
Exercise price	CHF 4.00	CHF 4.00	CHF 4.00	CHF 4.00
Volatility	24.0%	24.0%	19.6%	19.6%
Expected dividend yield	CHF 0.85	CHF 0.85	CHF 0.70	CHF 0.70
Risk-free interest rate	3.16%	3.20%	3.05%	3.36%
Market value of option at grant date	CHF 38.93	CHF 39.05	CHF 64.57	CHF 64.71

The first tranche that was immediately exercisable had the same assumptions as shown above (2008: grant date 10 July 2008, share price at grant date CHF 43.65, exercise price CHF 4.00; 2007: grant date 12 July 2007, share price at grant date CHF 69.15, exercise price CHF 4.00). The weighted average share price at exercise date was CHF 38.39 in 2008 (2007: CHF 68.60).

The personnel expense recorded in the 2008 income statement as a result of applying IFRS 2 calculation amounted to CHF 10 million (2007: CHF 11 million).

29. Related party transactions

a. Principal shareholders

On 31 December 2008, the Hayek Pool and its related companies, institutions and individuals held 62 752 125 registered shares and 202 575 bearer shares, equivalent to 40.7% of the shares issued (previous year: 39.1%) of The Swatch Group Ltd, which is the parent company of the Group.

In the context of the pool, the group of Mr N. G. Hayek and related parties controlled in total 40.0% of the shares issued compared with 38.5% at the end of year 2007.

As of the same date, Mrs Esther Grether's group controlled 7.5% of the shares issued (compared with 7.2% a year earlier).

In 2008, the Hayek Group, owned by Mr. N. G. Hayek, invoiced an amount of CHF 10.0 million to the Swatch Group (compared with CHF 10.2 million in 2007). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2008	2007
Audit, feasibility studies and process optimization	2.7	2.4
Provision of managers and filling important, vacant functions	0.7	1.2
Project management in the construction sector	3.5	3.4
Support for projects in the materials and surface treatment technology sector	0.6	0.6
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	0.4	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	2.1	2.2
Total	10.0	10.2

Notes to the consolidated financial statements

- b. Key management personnel** In addition to the members of the Board of Directors, the members of the Group Management Board and of the Extended Management Board are considered as key management personnel (according to IAS 24.9). The total compensation of key management personnel using IFRS 2 rules for accounting for share-based compensation was as follows:

(CHF million)	2008	2007
Short-term employee benefits	27.1	27.5
– of which in salaries	9.3	9.3
– of which in bonus	17.7	18.0
– of which in other benefits	0.1	0.2
Post-employment benefits	0.8	0.7
Termination benefits	0.0	0.0
Share-based compensation	6.4	6.7
Total	34.3	34.9

No remuneration was paid to former members of management bodies for their former functions.

- c. Share ownership** At 31 December 2008, 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 55 918 748 registered shares and 590 bearer shares, representing 36.1% of the voting rights (previous year: 34.7%). In addition, at 31 December 2008, all the non-executive members of the Board of Directors as well as the persons close to them held 13 121 952 registered shares and 114 000 bearer shares, representing 8.6% of the voting rights (previous year: 8.3%).

- d. Loans to members of the governing bodies** The employees of the company may take out a mortgage loan with the Swatch Group Pension Fund for the construction or acquisition of property in Switzerland (primary residence). The conditions for these mortgage loans are set by the Swatch Group Pension Fund Foundation Board. These conditions are applied in the same manner to all employees. In 2008, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. At the end of 2008, one loan to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 3.0% was outstanding (unchanged from previous year).

- e. Associated companies and other related parties** The Group has transactions with associates, joint ventures and other related parties. A listing of the associated companies and joint ventures is included in the list of the Swatch Group companies (Note 32).

(CHF million)	2008		2007	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	9	159	8	0
Other related parties	0	0	0	0

At the end of 2008, receivables from related parties amounted to CHF 35 million (2007: CHF 1 million), and payables to related parties were CHF 3 million (2007: CHF 2 million). In addition, in 2008 the Group received a guarantee from an associated company in the amount of CHF 20 million (2007: none). Furthermore, at 31 December 2008 the Group had granted loans to related parties in the amount of USD 1 million (2007: USD 1 million) with an interest rate of 3.25%.

Notes to the consolidated financial statements

30. Management compensation disclosures (required by Swiss Law)

This note has been prepared in accordance with the requirements of articles 663b and 663c al. 3 of the Swiss Code of Obligations (SCO). It differs in several aspects from the compensation disclosures given in Note 29, mainly due to different valuation and expense recognition rules applied.

Compensation to Board of Directors and Group Management (Art. 663b SCO)

a. Board of Directors (BoD)

2008	Function	Compensation for functions in the BoD ¹⁾	Base com- pensation for executive function ¹⁾	Bonus ²⁾	Other compen- sation ³⁾	Total ⁴⁾
Name		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Dr. h.c. Nicolas G. Hayek	Chairman and delegate of BoD		701 892	1 770 000		2 471 892
Dr. Peter Gross	Member of BoD	114 957				114 957
Esther Grether	Member of BoD	104 425				104 425
Nayla Hayek	Member of BoD	105 318	501 564	860 000	59 700	1 526 582
Prof. Dr. h.c. Claude Nicollier	Member of BoD	79 830				79 830
Johann Niklaus Schneider-Ammann	Member of BoD	106 440				106 440
Ernst Tanner	Member of BoD	106 440				106 440
Total		617 410	1 203 456	2 630 000	59 700	4 510 566

2007	Function	Compensation for functions in the BoD ¹⁾	Base com- pensation for executive function ¹⁾	Bonus ²⁾	Other compen- sation ³⁾	Total ⁴⁾
Name		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Dr. h.c. Nicolas G. Hayek	Chairman and delegate of BoD		701 568	1 770 000		2 471 568
Dr. Peter Gross	Member of BoD	114 957				114 957
Esther Grether	Member of BoD	104 425				104 425
Nayla Hayek ⁵⁾	Member of BoD	106 440	190 782	860 000	205 449	1 362 671
Dr. Peter F. Baumberger ⁶⁾	Member of BoD	52 213				52 213
Prof. Dr. h.c. Claude Nicollier	Member of BoD	79 830				79 830
Johann Niklaus Schneider-Ammann	Member of BoD	106 440				106 440
Ernst Tanner	Member of BoD	106 440				106 440
Total		670 745	892 350	2 630 000	205 449	4 398 544

¹⁾ Total annual fee paid in cash, not including any reimbursement for travel and other business expenses incurred.

²⁾ Cash bonuses according to the accrual principle; neither the members nor the Chairman and Delegate of the Board of Directors received any options or shares in the years under review.

³⁾ Compensation for special mandates (2007), pension benefits, etc.

⁴⁾ All amounts are gross amounts (i.e. including social security due by the employee). The employer's share of social security contributions is not included.

⁵⁾ In the first semester 2007, Mrs Nayla Hayek had a mandate for Swatch Group Middle East, Swatch Group India and Balmain; in the second semester 2007 she assumed an executive function under a work contract in addition to her role as member of the Board of Directors.

⁶⁾ Retired in May 2007.

Notes to the consolidated financial statements

b. Management Board (MB) and Extended Management Board (EMB)

2008	Function	Salaries ¹⁾	Bonus ²⁾	Share options ³⁾	Share options ³⁾	Other compensation ⁴⁾	Total ⁵⁾
Name		(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Nick Hayek Jr.	President of the MB – CEO	1 471 561	3 000 000	22 000	853 380	59 700	5 384 641
Total other members		5 998 112	12 066 350	127 000	4 926 334	791 574	23 782 370
Total		7 469 673	15 066 350	149 000	5 779 714	851 274	29 167 011

2007	Function	Salaries ¹⁾	Bonus ²⁾	Share options ³⁾	Share options ³⁾	Other compensation ⁴⁾	Total ⁵⁾
Name		(CHF)	(CHF)	(number)	(CHF)	(CHF)	(CHF)
Nick Hayek Jr.	President of the MB – CEO	1 471 561	3 000 000	16 500	1 071 840	58 467	5 601 868
Total other members		6 019 006	12 376 900	99 208	6 444 551	827 694	25 668 151
Total		7 490 567	15 376 900	115 708	7 516 391	886 161	31 270 019

¹⁾ Total annual base compensation paid in cash, not including any reimbursement for travel and other business expenses incurred.

²⁾ Cash bonuses according to the accrual principle.

³⁾ Share options granted in the years under review, according to the conditions described in Note 28 Employee stock option plan. For the valuation of the share options, tax values were used for the part exercised in the current year. The options exercisable in the following years were valued using the Black Scholes method. Each option gives the right to conversion in one registered share.

⁴⁾ Other salary elements such as pension benefits, company cars and other benefits.

⁵⁾ All amounts are gross amounts (i.e. including social security due by the employee). The employer's share of social security contributions is not included.

c. Loans and other payments to Board of Directors and Group Management

In 2008 and 2007, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. At the end of 2008, one loan granted by the Group's Pension Fund to a member of the Group Management Board for a total of CHF 0.9 million with an interest rate of 3.0% was outstanding (unchanged to previous year). In 2008 and 2007, no compensation other than mentioned in the compensation tables above was accorded to current or former members of the Board of Directors, Management Board and Extended Board or to persons closely linked to them.

Notes to the consolidated financial statements

Ownership of Swatch Group shares and share options by Board of Directors and Group Management

As of 31 December 2008, the members of the Board of Directors, the Management Board and the Extended Management Board, including persons closely linked to them, held the following number of Swatch Group shares and options:

Name	Function	Registered Shares (number)		Bearer Shares (number)		Options (number)	
		2008	2007	2008	2007	2008	2007
Dr. h.c. Nicolas G. Hayek	Chairman and Delegate of BoD	55 385 823	54 937 911	550	550		
Dr. Peter Gross	Member of BoD	22 200	16 400				
Esther Grether	Member of BoD	11 472 380	11 392 880	112 000	112 000		
Nayla Hayek	Member of BoD	3 210	3 210				
Prof. Dr. h.c. Claude Nicollier	Member of BoD						
Johann Niklaus Schneider-Ammann	Member of BoD	1 627 372	1 662 961				
Ernst Tanner	Member of BoD			2 000	2 000		
Nick Hayek Jr.	President of the MB – CEO	38 083	17 916			20 167	18 334
Arlette E. Emch	Member of MB	23 584	10 834			13 750	12 500
Florence Ollivier- Lamarque	Member of MB	36 334	26 250			10 084	9 168
Dr. Mougahed Darwish	Member of MB	63 470	56 802			6 000	6 668
Edgar Geiser	Member of MB – CFO	27 946	88 262			16 684	15 168
Marc A. Hayek	Member of MB	28 400	20 232			8 500	7 668
Dr. Hanspeter Rentsch	Member of MB – CLO	124 306	107 622			16 684	15 168
Roland Streule	Member of MB	25 633	14 000			7 668	8 001
François Thiébaud	Member of MB	45 250	38 041			7 875	6 084
Matthias Breschan	Member of EMB	4 250	2 875			1 375	1 250
Pierre-André Bühler ¹⁾	Member of EMB	7 640				1 773	
Manuel Emch	Member of EMB	3 234	1 684			1 450	1 500
Yann Gamard	Member of EMB					4 709	4 418
Walter von Känel	Member of EMB	14 454	10 067	40	40	2 939	3 126
Thomas Meier	Member of EMB	1 500	2 500			1 500	1 500
Dr. Frank Müller ²⁾	Member of EMB		2 475				750
Kevin Rollenhagen	Member of EMB	18 766	14 650			4 384	3 500
Rudolf Semrad	Member of EMB	15 501	13 167			2 100	2 334
Dr. Peter Steiger	Member of EMB	35 883	30 841			5 042	4 584
Stephen Urquhart	Member of EMB	15 481	9 341			5 441	6 081
Total		69 040 700	68 480 921	114 590	114 590	138 125	127 802

¹⁾ Member of EMB as of March 2008.

²⁾ Member of EMB until November 2008.

In 2008, Mr. H.P. Rentsch, member of the Management Board, acquired CHF 0.1 million of The Swatch Group Finance (Luxembourg) SA 2003-2010 2.625% convertible bonds giving rise to 2 040 registered shares if converted.

The terms of the share options are disclosed in Note 28. Each option gives the right to conversion in one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 29 Related party transactions. Except for Mr. Nicolas G. Hayek, Mrs. E. Grether and Mr. J. N. Schneider-Ammann, no member of the Board of Directors, Management Board and Extended Management Board, together with persons closely linked to them, owned as of 31 December 2008 and 2007, either directly or through share options, more than 1% of the outstanding Swatch Group shares.

31. Events after the balance sheet date

There were no significant events after the balance sheet date.

32. The Swatch Group Companies – as at 31.12.2008

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
Europe					
Switzerland					
The Swatch Group SA, Neuchâtel	Holding	CHF 125.21			▼
Asulab SA, Marin-Epagnier	Research and development	CHF 0.10	100	●	▼
Atlantic Immobilien AG Bettlach, Bettlach	Real estate	CHF 0.70	100	●	▼
Belenos Clean Power Holding SA, Bienne	Holding	CHF 21.00	45	○	▼
Blancpain SA, Le Chenit	Watches	CHF 0.10	100	●	■
Blancpain Les Boutiques SA, Le Chenit	Retail	CHF 0.10	100	●	■
Breguet Les Boutiques SA, L'Abbaye	Retail	CHF 0.50	100	●	■
Certina AG, Le Locle	Watches	CHF 3.50	100	●	■
Cité du Temps SA, Genève	Communication	CHF 0.10	100	●	▼
cK Watch & Jewelry Co., Ltd., Bienne	Watches	CHF 5.00	90	●	■
Comadur SA, Le Locle	Products in hard materials	CHF 7.86	100	●	▲
Compagnie des Montres Longines, Francillon SA, Saint-Imier	Watches	CHF 10.00	100	●	■
Danyack SA, La Chaux-de-Fonds	Real estate	CHF 0.06	29	○	▼
Dernier Batz SA, Neuchâtel	Real estate	CHF 4.50	100	●	▼
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100	●	▲
Distico SA, Torricella-Taverne	Distribution	CHF 3.00	100	●	■
Dress your body SA, Corcelles-Cormondrèche	Jewelry	CHF 0.10	100	●	▲
Dress Your Body Manufacture Genevoise SA, Plan-les-Ouates	Jewelry	CHF 0.60	100	●	▲
EM Microelectronic-Marin SA, Marin-Epagnier	Microelectronics	CHF 25.00	100	●	◆
Endura AG, Bienne	Watches	CHF 2.00	100	●	■
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF 6.20	100	●	▲
François Goly SA, Le Chenit	Manufacture of watch wheels	CHF 0.10	100	●	▲
Frédéric Piguet SA, Le Chenit	Movements	CHF 0.30	100	●	▲
Hamilton International AG, Bienne	Watches	CHF 3.00	100	●	■
ICB Ingénieurs Conseils en Brevets SA, Marin-Epagnier	Patents	CHF 0.20	100	●	▼
Indexor SA, La Chaux-de-Fonds	Watch dial indexes	CHF 0.10	100	●	▲
Jaquet Droz Les Boutiques SA, La Chaux-de-Fonds	Retail	CHF 0.10	100	●	■
Lasag AG, Thun	Lasers for industrial applications	CHF 1.00	100	●	◆
Le Foyer SA, Saint-Imier	Real estate	CHF 0.13	78	●	▼
Léon Hatot Les Boutiques SA, Auvernier	Retail	CHF 0.10	100	●	■
Léon Hatot SA, Auvernier	Watches	CHF 0.10	100	●	■
Louis Jeanneret-Wespy SA, La Chaux-de-Fonds	Real estate	CHF 0.05	100	●	▼
Mæder-Leschot SA, Bienne	Real estate	CHF 0.70	100	●	▼
Manufacture Favre et Perret SA, La Chaux-de-Fonds	Watch cases	CHF 0.60	100	●	▲
Manufacture Ruedin SA, Bassecourt	Watch cases	CHF 2.40	100	●	▲
Meco SA, Grenchen	Watch crowns	CHF 0.48	100	●	▲
Meseltron SA, Corcelles-Cormondrèche	Real estate	CHF 2.00	100	●	▼
Microcomponents AG, Grenchen	Components for the automobile industry	CHF 11.00	100	●	◆
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF 4.00	100	●	◆
Mido AG, Le Locle	Watches	CHF 1.20	100	●	■
MOM le Prêlet SA, Les Geneveys-sur-Coffrane	Watch dials	CHF 0.30	100	●	▲
Montres Breguet SA, L'Abbaye	Watches	CHF 10.00	100	●	■
Montres Jaquet Droz SA, La Chaux-de-Fonds	Watches	CHF 12.00	100	●	■
Nivarox-FAR SA, Le Locle	Watch components and thin wires	CHF 4.00	100	●	▲
Omega Electronics AG, Bienne	Inactive	CHF 1.50	100	●	▼
Omega SA, Bienne	Watches	CHF 50.00	100	●	■
Oscilloquartz SA, Neuchâtel	High-stability frequency sources	CHF 2.00	100	●	◆
Rado Uhren AG, Lengnau	Watches	CHF 2.00	100	●	■
Record Watch Co. SA, Tramelan	Inactive	CHF 0.10	100	●	▼
Renata AG, Itingen	Miniature batteries	CHF 0.50	100	●	◆
Rubattel et Weyermann SA, La Chaux-de-Fonds	Watch dials	CHF 0.15	100	●	▲
S.I. Grand-Cernil 2, Les Brenets, SA, Les Brenets	Real estate	CHF 0.12	100	●	▼
S.I. Grand-Cernil 3, Les Brenets, SA, Les Brenets	Real estate	CHF 0.12	100	●	▼
S.I. Les Corbes SA, Savagnier	Real estate	CHF 0.10	34	○	▼
S.I. L'Etang SA, Les Brenets, Les Brenets	Real estate	CHF 0.05	100	●	▼
S.I. Rue de la Gare 2, Les Brenets, SA, Les Brenets	Real estate	CHF 0.24	100	●	▼
SSIH Management Services AG, Bienne	Services and licences	CHF 0.05	100	●	▼
Swatch AG, Bienne	Watches	CHF 2.00	100	●	■
Swatch Retail AG, Bienne	Retail	CHF 2.00	100	●	■
Swiss Timing Ltd, Corgémont	Sports timing & information display systems	CHF 2.00	100	●	◆
Technocorp Holding SA, Le Locle	Holding	CHF 6.00	100	●	▼
Terbival SA, Courchapoix	Watch case polishing	CHF 0.10	45	○	▲
The Swatch Group Assembly SA, Genestrerio	Assembly	CHF 4.00	100	●	▲
The Swatch Group Distribution SA, Bienne	Logistics and distribution	CHF 1.00	100	●	■
The Swatch Group Immeubles SA, Neuchâtel	Real estate project and property management	CHF 0.50	80	●	▼
The Swatch Group Les Boutiques SA, Lausanne	Retail	CHF 3.00	100	●	■
The Swatch Group Management Services SA, Bienne	Services and licences	CHF 0.05	100	●	▼
The Swatch Group Recherche et Développement SA, Marin-Epagnier	Research and development	CHF 0.10	100	●	▼
Tiffany Watch Co. Ltd, Bienne	Watches	CHF 20.00	100	●	■
Time Flagship AG, Zürich	Retail	CHF 6.00	100	●	■
Tissot SA, Le Locle	Watches	CHF 5.00	100	●	■
Universo SA, La Chaux-de-Fonds	Watch hands	CHF 0.67	100	●	▲
Valdar SA, Le Chenit	Watch components	CHF 0.05	100	●	▲
Vica Sàrl, Lausanne	Watches	CHF 0.20	100	●	■
Germany					
Altweiler Grundstücks-GmbH, Lörrach	Real estate	EUR 0.03	95	●	▼
Deutsche Zifferblatt Manufaktur GmbH, Pforzheim	Watch dials	EUR 0.10	100	●	▲
Glashütter Uhrenbetrieb GmbH, Glashütte	Watches	EUR 0.51	100	●	■
ST Innovation GmbH, Leipzig	Sports timing technology & equipment	EUR 0.05	100	●	◆
ST Sportservice GmbH, Leipzig	Sports timing technology & equipment	EUR 3.47	100	●	◆
Swiss Prestige Uhren Handel GmbH, Eschborn	Inactive	EUR 0.08	100	●	■
The Swatch Group Customer Service (Europe) GmbH, Glashütte	Customer service	EUR 0.50	100	●	■
The Swatch Group (Deutschland) GmbH, Eschborn	Distribution (Breguet, Blancpain, Omega, Rado, Longines, Tissot, Certina, Mido, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Endura, ETA, Lasag, Renata, EM Marin, Micro Crystal)	EUR 1.28	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

32. The Swatch Group Companies – as at 31.12.2008

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
The Swatch Group (Deutschland) Les Boutiques GmbH, Eschborn Union Uhrenfabrik GmbH, Glashütte	Retail Watches	EUR 0.20 EUR 0.10	100 100	● ●	■ ■
Austria					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution (Breguet, Blancpain, Omega, Glashütte, Rado, Longines, Tissot, Certina, cK Watch, Swatch, Flik Flak, Endura)	EUR 0.04	100	●	■
Belgium					
The Swatch Group (Belgium) SA, Anderlecht	Distribution (Breguet, Blancpain, Omega, Rado, Longines, Tissot, Certina, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak)	EUR 1.75	100	●	■
The Swatch Group Participation SA, Anderlecht	Holding	EUR 2.09	100	●	▼
Spain					
The Swatch Group (España) SA, Alcobendas	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Certina, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Endura)	EUR 0.45	100	●	■
France					
Breguet, Paris	Inactive	EUR 0.04	100	●	■
Fabrique de Fournitures de Bonnétage FFB, Villers-le-Lac	Watch components and precision parts	EUR 0.29	100	●	▲
Frésard Composants, Charquemont	Watch components	EUR 1.80	100	●	▲
Société Européenne de Fabrication d'Ebauches d'Annemasse (SEFEA), Annemasse	Watch components and electronic assembly	EUR 0.67	100	●	▲
Tech Airport Développement, Paris	Retail	EUR 0.30	100	●	■
Tech Airport Holding, Paris	Holding	EUR 10.00	100	●	■
Tech Airport Nice, Paris	Retail	EUR 5.00	100	●	■
Tech Airport Orly, Paris	Retail	EUR 1.00	100	●	■
Tech Airport Roissy, Paris	Retail	EUR 3.80	100	●	■
The Swatch Group (France) SAS, Paris	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Endura, Renata, EM Marin, Oscilloquartz)	EUR 15.00	100	●	■
The Swatch Group (France) Les Boutiques, Paris	Retail	EUR 34.93	100	●	■
Universo France, Besançon	Watch hands	EUR 1.00	100	●	▲
Great Britain					
The Swatch Group (UK) Ltd, London	Distribution (Breguet, Blancpain, Glashütte, Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch, Flik Flak, Endura, Swiss Timing)	GBP 2.00	100	●	■
Greece					
Alkioni SA, Athens	Retail	EUR 0.06	100	●	■
The Swatch Group (Greece) SA, Athens	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak)	EUR 0.06	100	●	■
Italy					
Lascor S.p.A, Sesto Calende	Watch cases and bracelets	EUR 1.00	100	●	▲
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR 0.01	100	●	■
The Swatch Group (Italia) S.p.A., Rozzano	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Renata)	EUR 23.00	100	●	■
The Swatch Group (Italia) Les Boutiques S.p.A., Rozzano	Retail	EUR 0.12	100	●	■
Luxembourg					
The Swatch Group Finance (Luxembourg) SA, Alzingen	Finance company	CHF 1000.00	100	●	▼
The Swatch Group Financial Services (Luxembourg) SA, Alzingen	Finance company	EUR 5.00	100	●	▼
The Swatch Group Re (Luxembourg) SA, Alzingen	Reinsurance	EUR 1.23	100	●	▼
Netherlands					
The Swatch Group (Netherlands) BV, Maastricht	Distribution (Léon Hatot, Omega, Rado, Longines, Tissot, Certina, Hamilton, cK Watch, Swatch, Flik Flak, Endura)	EUR 0.70	100	●	■
Poland					
The Swatch Group (Polska) Sp.z o.o., Warszawa	Distribution (Omega, Rado, Longines, Tissot, Certina, cK Watch, Swatch, Flik Flak, Endura)	PLN 5.00	100	●	■
Portugal					
The Swatch Group (Europa) – Sociedade Unipessoal SA, Funchal	Distribution	EUR 24.14	100	●	■
The Swatch Group (Europa II) Retail – Sociedade Unipessoal SA, Funchal	Retail	EUR 0.10	100	●	■
Russia					
Swiss Watch Le Prestige 000 Russia, Moscow	Distribution	RUB 0.20	100	●	■
The Swatch Group (RUS) 000, Moscow	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, Certina, cK Watch, Swatch, Flik Flak)	RUB 271.45	100	●	■
Sweden					
The Swatch Group (Nordic) AB, Stockholm	Distribution (Omega, Rado, Longines, Tissot, Certina, cK Watch, Swatch, Flik Flak)	SEK 0.50	100	●	■
Czech Republic					
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK 2.01	51	●	◆
ST Software s.r.o., Liberec	Sports timing technology & equipment	CZK 0.10	80	●	◆
America					
Brazil					
The Swatch Group do Amazonas SA, Manaus	Inactive	BRL 4.93	100	●	■
The Swatch Group do Brasil Ltda, São Paulo	Customer service	BRL 14.05	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

32. The Swatch Group Companies – as at 31.12.2008

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment	
Canada						
The Swatch Group (Canada) Ltd, Toronto	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch, Flik Flak)	CAD	4.50	100	●	■
United States						
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD	0.04	100	●	◆
e-swatch-us Inc., Wilmington, Delaware	e-Commerce	USD	0.00	100	●	■
HiPoint Technology Inc., Colorado Springs	Microelectronics	USD	0.17	25	○	◆
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Mido, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Endura, Lasag, Micro Crystal, Renata, Oscilloquartz)	USD	168.90	100	●	■
The Swatch Group Les Boutiques (U.S.) Inc., Wilmington, Delaware	Retail	USD	0.00	100	●	■
Time Sales Inc., Dover, Delaware	Retail	USD	1.00	50	○	■
British Virgin Islands						
Endura Services (Asia) Inc, British Virgin Islands	Inactive	USD	0.00	100	●	■
Mexico						
Prestadora de Servicios Relojeros SA de CV, Mexico DF	Watch services	MXN	1.50	100	●	■
The Swatch Group Mexico SA de CV, Mexico DF	Distribution (Breguet, Glashütte, Omega, Rado, Longines, Tissot, Mido, Hamilton, cK Watch, Swatch, Flik Flak, Endura)	MXN	43.65	100	●	■
Panama						
The Swatch Group Panama SA, Panama City	Commercial services	USD	0.01	100	●	■
Asia						
Greater China						
Lanco Watches Ltd, Hong Kong	Inactive	USD	0.07	100	●	■
O Grupo Swatch (Macau) Limitada, Macau	Retail	MOP	1.50	100	●	■
Shanghai Ruihengqi Watch Commerce Co. Ltd., Shanghai	Retail	CNY	30.00	50	●	■
Shanghai Rui Jing Retail Co., Ltd., Shanghai	Retail	CNY	20.25	100	●	■
Shanghai Rui Wan Retail Co. Ltd., Shanghai	Retail	CNY	4.00	100	●	■
Shanghai SMH Watch Service Center Co. Ltd, Shanghai	Customer service	CNY	21.06	100	●	■
Shanghai Swatch Art Centre Co. Ltd., Shanghai	Real estate	CNY	148.41	90	●	▼
SMH International Trading (Shanghai) Co. Ltd, Shanghai	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Certina, Mido, Hamilton, cK Watch, Swatch, Flik Flak, EM Marin)	CNY	8.05	100	●	■
SMH Les Boutiques (Shanghai) Co. Ltd, Shanghai	Retail	CNY	88.77	100	●	■
SMH Swiss Watch Trading (Shanghai) Co. Ltd, Shanghai	Distribution (Omega, Rado, Longines)	CNY	7.12	90	●	■
SMH Technical Services (Shenzhen) Co. Ltd., Shenzhen	Commercial services	CNY	10.45	100	●	■
The Swatch Group (Asia) Inc. Ltd, Hong Kong	Commercial services	HKD	0.00	100	●	■
The Swatch Group (Hong Kong) Ltd, Hong Kong	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, Mido, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, ETA)	HKD	5.00	100	●	■
The Swatch Group (Taiwan) Ltd, Taipei	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Mido, Hamilton, cK Watch, Swatch, Flik Flak)	TWD	28.00	100	●	■
Xinyu Hengdeli Holdings Limited, Hong Kong	Retail	CNY	12.40	8	○	■
Zhuhai SMH Watchmaking Co. Ltd, Zhuhai	Components	CNY	74.57	100	●	▲
South Korea						
The Swatch Group (Korea) Ltd, Seoul	Distribution (Breguet, Blancpain, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, cK Watch, Swatch, Flik Flak)	KRW	3 300.00	100	●	■
United Arab Emirates						
Rivoli Investments L.L.C., Dubai	Retail	AED	24.02	15	○	■
Swatch Group Retail Middle East L.L.C., Dubai	Retail	AED	0.30	49	●	■
India						
Swatch Group (India) Private Ltd, New Delhi	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak)	INR	930.00	100	●	■
Japan						
The Swatch Group (Japan) KK, Tokyo	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch, Flik Flak, Endura)	JPY	3 700.00	100	●	■
Malaysia						
Micromechanics (M) Sdn Bhd, Ipoh	Assembly, watch components	MYR	35.00	100	●	▲
Swiss Luxury Watch & Jewelry Sdn Bhd, Kuala Lumpur	Retail	MYR	7.00	51	●	■
The Swatch Group (Malaysia) Sdn Bhd, Kuala Lumpur	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, Certina, Mido, cK Watch, Swatch, Flik Flak)	MYR	0.50	95	●	■
Singapore						
The Swatch Group S.E.A. (S) Pte Ltd, Singapore	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Mido, Hamilton, Pierre Balmain, cK Watch, Swatch, Flik Flak, Renata, EM Marin)	SGD	4.00	95	●	■
Thailand						
ETA (Thailand) Co. Ltd, Samut Prakan	Movements and components	THB	504.50	100	●	▲
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution (Breguet, Blancpain, Glashütte, Jaquet Droz, Omega, Rado, Longines, Tissot, cK Watch, Swatch, Flik Flak)	THB	400.00	99	●	■
Wachirapani Co. Ltd, Bangkok	Holding	THB	3.06	49	●	▼
Oceania						
Australia						
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution (Breguet, Omega, Rado, Longines, Tissot, cK Watch, Swatch, Flik Flak, Swiss Timing, Renata)	AUD	0.40	100	●	■

Legend: ● Fully consolidated ○ Equity method ■ Watches & Jewelry ▲ Production ◆ Electronic Systems ▼ Corporate

Report of the statutory auditor to the general meeting of The Swatch Group Ltd, Neuchâtel

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of The Swatch Group Ltd, which comprise the balance sheet, income statement, statement of cash flows, statement of changes in equity and notes (pages 153 to 204), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin
Audit expert
Auditor in charge

Ruth Christine Sigel
Audit expert

Basel, 11 March 2009



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Income Statement of the Holding

	Notes	2008 CHF million	2007 CHF million
Income from investments in subsidiaries	(1)	851	663
Financial income	(2)	30	68
Other income		10	9
Total income		891	740
Personnel expense		-46	-51
General expense		-14	-17
Depreciation and impairment		-5	-17
Interest expense	(3)	-29	-21
Exchange differences and other financial expenses	(4)	-124	-47
Taxes		-1	-1
Total expenses		-219	-154
Net income		672	586

Balance sheet of the Holding

Assets	Notes	31.12.2008		31.12.2007	
		CHF million	%	CHF million	%
Non-current assets					
Property, plant and equipment		12	0.4	10	0.3
Financial assets					
– Long-term loans to Group companies		159	5.4	84	2.6
– Investments in subsidiaries	(5)	2 045	70.0	2 030	63.7
Total non-current assets		2 216	75.9	2 124	66.6
Current assets					
Receivables from Group companies		108	3.7	149	4.7
Other receivables and accrued income		23	0.8	8	0.2
Marketable securities and precious metals	(6)	513	17.6	874	27.4
Cash and cash equivalents		60	2.1	36	1.1
Total current assets		704	24.1	1 067	33.4
Total assets		2 920	100.0	3 191	100.0

Balance sheet of the Holding

Equity and liabilities	Notes	31.12.2008 CHF million	%	31.12.2007 CHF million	%
Equity					
Share capital		125	4.3	129	4.0
General reserve		67	2.3	67	2.1
Reserve for treasury shares		629	21.5	821	25.7
Special reserve		557	19.1	564	17.7
– Profit brought forward		34		23	
– Net profit for the year		672		586	
Available earnings		706	24.2	609	19.1
Total equity	(7)	2 084	71.4	2 190	68.6
Liabilities					
Provisions		141	4.8	139	4.4
Payables to Group companies		652	22.3	807	25.3
Other liabilities		7	0.2	29	0.9
Accrued expenses		36	1.2	26	0.8
Total liabilities		836	28.6	1 001	31.4
Total equity and liabilities		2 920	100.0	3 191	100.0

Notes to the financial statements

General

The financial statements of The Swatch Group Ltd comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

Risk management

The Board of Directors, the Executive Group Management Board as well as all key members of The Swatch Group Ltd have always considered the aspect of risk monitoring in their regular entrepreneurial function and in their decisions. Their constant process relating to all aspects of the business also includes a close attention to any impacts on the financial reporting. For this purpose, appropriate tools and measures are in place which permit a pro-active and constant flow of information, building the basis for timely decisions as required in a dynamic environment.

Valuation principles

On the balance sheet, assets and liabilities are recorded at net realizable values. Exceptions to this rule are investments in subsidiaries, which are shown at their acquisition cost less appropriate write-downs, and treasury shares reserved for the management stock option plan as well as shares bought back by the company that are shown at lower of cost or market.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.

Details to specific items

1. Income from investments in subsidiaries	(CHF million)	2008	2007
	Dividends	730	609
	Other income	121	54
	Total	851	663

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies. In 2008 a gain of CHF 65 million was realized relating to the sale of two Group companies.

2. Financial income	(CHF million)	2008	2007
	Interest income	9	13
	Income and gains on securities	21	55
	Total	30	68

The decrease of interest income is mainly due to lower interest rates. The company recorded capital gains on its investment portfolio of CHF 21 million. This figure was offset by losses of CHF 138 million (see Note 4).

3. Interest expense	In 2008, interest expense increased by CHF 8 million compared with 2007. The higher interest expense reflects the increase of the average amount of borrowings.
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4. Exchange differences and other financial expenses	This item increased by CHF 77 million compared with the previous year. Thanks to currency hedging contracts taken out to protect the Group's companies, the currency translation item was positive by CHF 14 million (2007: negative by CHF 6 million). The loss recorded on the securities portfolio, including other financial expenses, amounted to CHF 138 million (2007: CHF 41 million).
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5. Investments in subsidiaries	The list of 160 legal entities, including minority investments, held directly or indirectly by the company and consolidated at Swatch Group level is published in Note 32 of the consolidated financial statements in this report. Investments in subsidiaries accounted for 70.0% of total assets at 31 December 2008 versus 63.7% at end-2007. In absolute terms, the value of investments in subsidiaries amounted to CHF 2 045 million at end-2008. This amount corresponds to consolidated investments and investments in associates, and is CHF 15 million higher than in 2007. The main differences in 2008 relate to the set-up of new Group companies and a number of capital increases of subsidiaries as well as to the disposal of the two Group companies Sokymat Automotive GmbH and Michel Präzisionstechnik AG.
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Notes to the financial statements

6. Marketable securities and precious metals

(CHF million)	31.12.2008	31.12.2007
Marketable securities	201	276
Own shares	225	461
Precious metals	87	137
Total	513	874

Marketable securities decreased in 2008 by CHF 75 million, mainly due to unrealized fair value adjustments caused by the negative performance of the stock markets.

In the year under review, own shares that were bought back in 2007 amounting to CHF 461 million were cancelled. Furthermore, in 2008 treasury shares amounting to CHF 361 million were bought back on a second trading line, of which CHF 92 million were also cancelled. Also included are the registered treasury shares destined for the special management stock option plan.

Precious metals includes gold and other precious metals intended to meet the industrial needs of the Group's subsidiaries.

7. Equity

The total value of treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2008 corresponded to 5.8% (versus 6.2% at end-2007) of the nominal value of total share capital.

See table on page 212 showing changes in The Swatch Group Ltd's treasury stock.

The table below shows the changes in equity:

(CHF million)	Share capital	General reserve	Reserve for treasury shares	Special reserve	Available earnings	Total equity
Balance at 31.12.2007	129	67	821	564	609	2 190
Allocated in 2008				350	-350	0
Dividend paid out					-225	-225
Share capital reduction (cancelled shares)	-4		-553	4		-553
Allocation to reserve for the buyback of own shares			361	-361		0
Net income for the year					672	672
Balance at 31.12.2008	125	67	629	557	706	2 084

Compared with end-2007, equity decreased by CHF 106 million to CHF 2 084 million in 2008. In percentage of total assets the equity ratio increased to 71.4% at 31 December 2008 (versus 68.6% in the previous year).

In 2008, the Swatch Group cancelled the shares repurchased under its share buyback program 2007 and a part of the share buyback program started on 10 December 2007; this reduced the share capital by CHF 3 669 750.

In order to comply with Swiss legislation requiring that all the treasury shares held by a group be covered by an equivalent reserve, a proportion of the special reserve was transferred to the treasury share reserve to make up the full required amount.

Share capital

At 31 December 2008, share capital consisted of 124 045 000 registered shares each with a nominal value of CHF 0.45, and of 30 840 000 bearer shares each with a nominal value of CHF 2.25. The decrease compared with the previous year relates to the repurchased shares that were cancelled, in conformity with the decision of the Annual General Meeting of 21 May 2008.

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2007	128 100 000 at CHF 0.45	31 660 000 at CHF 2.25	128 880 000.00
Shares cancelled	- 4 055 000 at CHF 0.45	- 820 000 at CHF 2.25	- 3 669 750.00
31.12.2008	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

Notes to the financial statements

Principal shareholders at 31 December 2008

At 31 December 2008, the Hayek Pool, its related companies, institutions and individuals held 62 752 125 registered shares and 202 575 bearer shares, equivalent to 40.7% of the shares issued at this date (previous year: 39.1%). The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Mr. N. G. Hayek	Meisterschwanden	N. G. Hayek
WAT Holding AG	Meisterschwanden	N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	J.N. Schneider-Ammann and Ammann families
Swatch Group Pension Fund	Neuchâtel	—

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name/Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	N. G. Hayek
Mr N. G. Hayek and family members		N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	—
Families Ammann (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by J. N. Schneider-Ammann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	—
Wohlfahrtsstiftung der Renata AG	Itingen	—
Fonds de prévoyance d'Universo SA	Neuchâtel	—

In the context of the pool, the group of Mr. N. G. Hayek and related parties controlled in total 40.0% of the shares issued at end-2008 (38.5% at end-2007), of which 4.5% were represented by the Hayek Pool (4.1% at end-2007).

At the same date, Mrs. Esther Grether's group controlled 7.5% of the shares issued (compared with 7.2% a year earlier).

At 31 December 2008, the Swatch Group was not aware of any other group or individual shareholder having an interest of more than 5% of the total share capital.

Reserve for treasury shares

The reserve for treasury shares was valued using the weighted average purchase price method. On the Holding balance sheet, it amounted to CHF 629 million on 31 December 2008 (previous year CHF 821 million), and thereby covers the treasury shares recognized as assets on the balance sheets of Group companies at year-end.

The number of treasury shares held directly or indirectly by The Swatch Group Ltd changed in 2008 as shown in the table below:

Shares held by:	Registered shares	Bearer shares
	Quantity*	Quantity
The Swatch Group Ltd		
Balance at 31.12.2007	6 108 526	660 000
Acquisitions in 2008	3 470 000	665 000
Disposals in 2008	–221 735	0
Cancellations in 2008	–4 055 000	–820 000
Balance at 31.12.2008	5 301 791	505 000
Other consolidated companies		
Balance at 31.12.2007	8 398 368	0
Acquisitions in 2008	0	0
Conversions in 2008	0	0
Balance at 31.12.2008	8 398 368	0
Total balance at 31.12.2008	13 700 159	505 000

*of which at 31 December 2008 2 572 039 registered shares were reserved for the management stock option plan (2 793 762 registered shares in 2007).

Except for movements related to the management stock option plan, all transactions involving treasury shares were recognized at fair value. The average price per registered share purchased in 2008 was CHF 52.03 and the average price per bearer share was CHF 270.41.

Notes to the financial statements

Available earnings

In compliance with the resolution approved at the Annual General Meeting of 21 May 2008, a dividend of CHF 0.85 per registered share and of CHF 4.25 per bearer share was appropriated from available earnings as at 31 December 2007. The total dividend amount paid to shareholders in 2008 came to CHF 94 811 650 on the registered shares and CHF 130 071 250 on the bearer shares. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned AGM, no dividends were paid on the treasury shares held by the Swatch Group. This amount, which would have totaled CHF 18 557 100, thus constituted an integral part of equity at 31 December 2008. Finally, CHF 350 million was appropriated from available earnings at 31 December 2007 and allocated to the special reserve.

Off-balance-sheet items

Contingent liabilities

At end-2008, guarantees provided by The Swatch Group Ltd amounted to CHF 433 752 000 (compared with CHF 444 828 400 a year earlier). This item includes:

- A guarantee of CHF 433 124 800 (vs. CHF 443 927 200 in 2007) relating to the convertible bond of CHF 411 600 000 at 2.625%, issued by The Swatch Group Finance (Luxembourg) SA on 15 October 2003 and maturing on 15 October 2010. At end-2008, 16 of these bonds with a nominal value of CHF 5 000 each had been converted into shares (same situation at end-2007).
- As in 2007, a guarantee of GBP 400 000 (equivalent to CHF 627 200 at 31 December 2008; CHF 901 200 at 31 December 2007) to cover a commitment relating to a lease taken out by one of the Group's companies.

Fire insurance values

At 31 December 2008, the fire insurance value of property, plant and equipment amounted to CHF 37 586 500 (CHF 34 069 700 at end-2007).

Assets pledged

None of the company's assets are pledged.

Commitments

Other commitments entered into by the company and open at 31 December 2008 amounted to CHF 1 million (versus CHF 10 million in the previous year), corresponding to investment commitments in financial assets.

Financial derivative instruments

The following table shows the contract and replacement values of derivative financial instruments at 31 December 2008.

Type	Contract value			Positive replacement value			Negative replacement value		
	Third party	Group	Total	Third party	Group	Total	Third party	Group	Total
(CHF million)									
Forward contracts	546	391	937	15	3	18	-3	-17	-20
Options			0			0			0
Total at 31.12.2008	546	391	937	15	3	18	-3	-17	-20
Total at 31.12.2007	727	365	1 092	3	0	3	-2	-5	-7

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2008 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2008 relate to 16 positions held in precious metals and in foreign currencies (previous year: 14). Intra-Group contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intra-group financial transactions. At 31 December 2008, there was no option outstanding (none in the previous year).

Liabilities to pension plans

The balance sheet as at end-2008 contained no liability to pension plans (no liability to pension in 2007).

Management compensation disclosures

The disclosures required by the Swiss Code of Obligations on management compensation are shown in Note 30 of the consolidated financial statements.

Proposed appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting that available earnings be appropriated as follows:

	2008	2007
	CHF	CHF
Net income for the year	671 900 167	586 168 375
Profit brought forward from previous year	34 313 631	23 028 156
Available earnings	706 213 798	609 196 531
Allocation to special reserve	-450 000 000	-350 000 000
Dividend payment for 2007 on share capital of CHF 128 880 000.00:		
– CHF 0.85 per registered share with a par value of CHF 0.45		-108 885 000
– CHF 4.25 per bearer share with a par value of CHF 2.25		-134 555 000
Payment on share capital of CHF 125 210 250.00* of a 2008 dividend, i.e.:		
– CHF 0.85 per registered share with a par value of CHF 0.45	-105 438 250	
– CHF 4.25 per bearer share with a par value of CHF 2.25	-131 070 000	
Dividends not paid out on own shares held by the Group **		18 557 100
Balance carried forward	19 705 548	34 313 631

* It is planned not to pay dividends on own shares held by the Group.

** Based on the decision of the Annual General Meeting of 21 May 2008, the dividend due on own shares held by the Group was not paid out.

Report of the statutory auditor to the general meeting of The Swatch Group Ltd, Neuchâtel

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of The Swatch Group Ltd, Neuchâtel, which comprise the balance sheet, income statement and notes (pages 207 to 213), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin
Audit expert
Auditor in charge



Ruth Christine Sigel
Audit expert

Basel, 11 March 2009

The Swatch Group Ltd securities

Average number of shares outstanding/ Average share capital	2008 basic	2008 diluted	2007 basic	2007 diluted	2006 basic	2006 diluted	2005 basic	2005 diluted
Number of registered shares of CHF 0.45	111 605 632	120 203 642	115 882 234	124 474 721	118 110 673	126 730 101	122 004 798	130 646 179
Number of bearer shares of CHF 2.25	30 596 542	30 596 542	31 485 875	31 485 875	31 981 500	31 981 500	32 788 496	32 788 496
Total average number of shares outstanding	142 202 174	150 800 184	147 368 109	155 960 596	150 092 173	158 711 601	154 793 294	163 434 675
Share capital registered shares of CHF 0.45	50 222 534	54 088 736	52 147 005	56 013 624	53 149 803	57 028 545	54 902 159	58 790 780
Share capital bearer shares of CHF 2.25	68 842 220	68 842 220	70 843 219	70 843 219	71 958 375	71 958 375	73 774 116	73 774 116
Total average share capital	119 064 754	122 930 956	122 990 224	126 856 843	125 108 178	128 986 920	128 676 275	132 564 896

Key data per registered share (nom CHF 0.45) in CHF	2008	2008	2007	2007	2006	2006	2005	2005
Consolidated net income	3.15	3.10	3.70	3.64	2.97	2.93	2.15	2.13
Cash flow from operating activities	1.93	1.87	3.20	3.10	3.18	3.08	2.76	2.68
Consolidated shareholders' equity	20.55	19.90	19.43	18.83	17.83	17.30	16.02	15.55
Dividend	0.85*	0.85*	0.85	0.85	0.70	0.70	0.50	0.50

Key data per bearer share (nom CHF 2.25) in CHF	2008	2008	2007	2007	2006	2006	2005	2005
Consolidated net income	15.75	15.51	18.49	18.18	14.87	14.66	10.74	10.66
Cash flow from operating activities	9.67	9.36	16.01	15.52	15.89	15.41	13.82	13.43
Consolidated shareholders' equity	102.73	99.49	97.13	94.17	89.17	86.49	80.09	77.80
Dividend	4.25*	4.25*	4.25	4.25	3.50	3.50	2.50	2.50

Stock price of registered shares (adjusted)	High							
	66.75	66.75	76.50	76.50	54.95	54.95	40.15	40.15
	23.20	23.20	53.90	53.90	38.50	38.50	30.90	30.90
	31.12	28.50	66.85	66.85	54.50	54.50	39.75	39.75

Stock price of bearer shares (adjusted)	High							
	340.00	340.00	397.00	397.00	274.00	274.00	197.30	197.30
	115.50	115.50	266.25	266.25	184.10	184.10	152.40	152.40
	31.12	145.80	341.25	341.25	269.25	269.25	195.00	195.00

Market capitalization (CHF million)	31.12.	8 032	8 032	19 367	19 367	15 882	15 882	11 809	11 809
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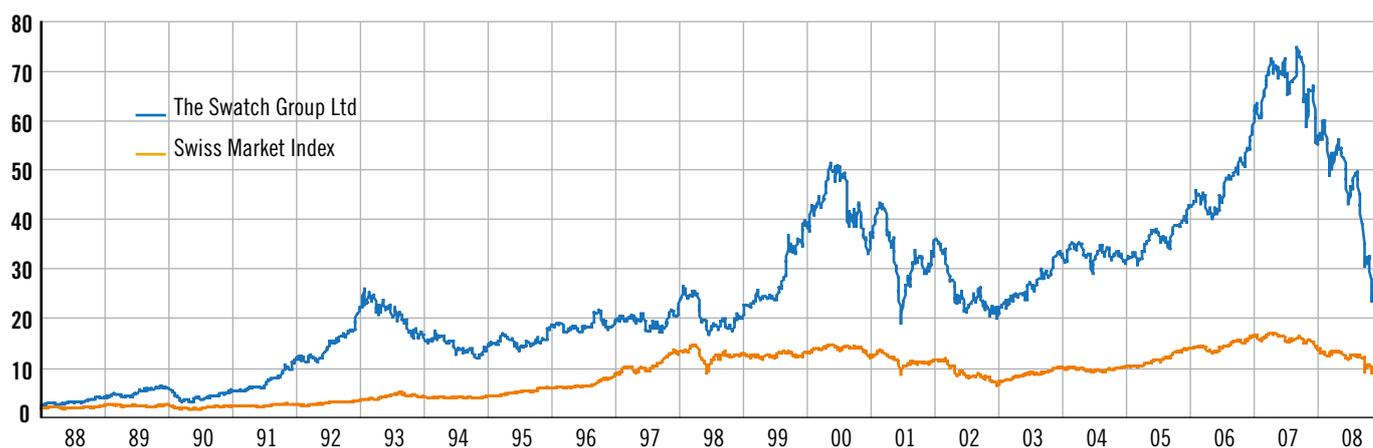
Key ratios (year-end)		2008	2008	2007	2007	2006	2006	2005	2005
Average return on equity	%	15.50	15.80	19.7	20.0	17.3	17.6	14.0	14.3
Dividend yield registered shares	%	3.00	3.00	1.3	1.3	1.3	1.3	1.3	1.3
Dividend yield bearer shares	%	2.90	2.90	1.2	1.2	1.3	1.3	1.3	1.3
Price/earnings ratio – registered shares		9.00	9.20	18.1	18.4	18.3	18.6	18.5	18.7
Price/earnings ratio – bearer shares		9.30	9.40	18.5	18.8	18.1	18.4	18.2	18.3

Securities	Securities no.	Reuters Symbol
The Swatch Group Ltd registered shares	1 225 514	UHRN.S
The Swatch Group Ltd bearer shares	1 225 515	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange

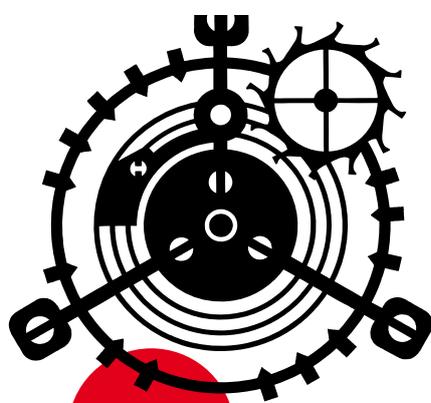
* Board of Directors' proposal.

Evolution of the Swatch Group Ltd registered shares and the Swiss Market Index (1988–2008)





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