

The spoken word (in German) is valid.

Message of Nayla Hayek, Chair of the Swatch Group Board of Directors, on the occasion of the Annual General Meeting of May 23, 2019, at the Tissot Velodrome in Grenchen (SO), Switzerland.

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Dear Madam, Dear Sir,

Dear Shareholders,

One of the highlights of the year was certainly the completion of the Swatch headquarters. The building, which you can admire in your Annual Report, and this year's special AGM Swatch are dedicated to it.

As you will know from your invitation, this year's special AGM Swatch will only be sent to your Swiss postal address at the conclusion of this meeting. And now you're wondering why you won't get the watch here and why it will be shipped instead. This is due to the fact that everyone should get the watch at the same time, including those who are unable to attend today due to illness, accidents and so on, and who are therefore represented by an independent proxy. The response was generally very positive. Of course, we can never please everyone. But like every year you had – and you have – the opportunity to buy Swatches at a shareholder discount.

Now we'll come back to our beautiful and special building. The idea? It is at least as old as the brand's success: to offer Swatch a home that does justice to the joy it has given us – and continues to give us – over and over again. Not to mention its role as the flagship in the fight to save Swiss watchmaking in the dark years of the crisis.

It is done: Swatch has a roof over its head. This "roof", which is in every respect worthy of the dizzying heights reached by the brand, is – through its shapes and the exceptional technology used to build it – a monument to the glory of creativity. It is one of those incredible contradictions that still works, just as Swatch did in 1983: simple yet highly complex, something completely new, unexpected – a wooden building, like a huge log cabin dreamed up by that six-year-old child inside us that we should never stop listening to. Something, too, – and this is very important to us – that is respectful of nature but without being overly instructive or creating a guilty conscience. And it is BEAUTIFUL. We are very proud that the beginning of 2019 will be marked by the inauguration of this extraordinary masterpiece that will survive us all. It is not exactly a cabin, I'll grant you that! Long live Swatch and its new home! And it has also taken many years from its birth to its completion. We are planning a day of open doors this year, so you can admire it, too.

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

This past year has left me with mixed feelings. The first half was brilliant compared to 2017 but it ran out of steam in the second half, especially over the last three months, with a December that didn't leave me looking forward to Christmas. If the year were compared to a

composition with three movements, the first semester was *allegro*, the second was *ma non troppo*, and the December finale was *lento*... nevertheless, we remained faithful to our usual orientations and strategic choices, continuing along the path that was defined by our founder, my father. A path that has always led us to success: investment! And belief in our path of responsibility towards the members of the Swatch Group family and the environment!

Investment! And not only in wood. In innovation, in jobs and in improvements for the benefit of the environment.

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

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

These products have to be created and while we live in a world where rational and established values continue to be in demand, “novelty” is also of paramount importance. Therefore, our brands, but also our research and development teams, are committed to this mission: they never rest on their laurels, but continue to develop new products and new technologies. In short, to innovate constantly and at the same time, not to neglect sustainability!

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

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

While investing in communication, marketing, public relations, and research and development is certainly essential, it is not enough. We also need to invest in the most important capital of all for a company like ours: our employees. Aware that any Swatch Group product purchased, whether a watch or a piece of jewelry, is only possible thanks to the involvement of people who are united in their efforts to conceive, develop, produce and sell it, we will continue to invest in the training of young talent. We have always done this and in 2018, most of our apprentices found their first job with us after completing their training. We continue to expand our internal training programs, giving solid prospects to everyone who decides to be part of our team.

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

And now the numbers! Figures we can present without blushing! Net sales of CHF 8'475 million, up 5.7% compared to 2017 at constant exchange rates; an operating result of CHF 1'154 million, up 15.2% compared to the previous year with an operating margin of 13.6% compared to 12.5% in 2017; a net income of CHF 867 million with a net margin of 10.2%, up from 9.5% in the previous year. A very solid result that inspires great confidence in the future.

Finally, with a bit of a wink, I would like to share some information that you will not find so in our press releases. From the Chair's sewing box, so to speak! For our new Swatch building, we used Swiss spruce wood almost exclusively. The amount of spruce wood used for the Swatch and Omega buildings and the Cité du Temps grows back in our forests in only two hours. So, about as long as this GA normally lasts. That's in the press release. What it doesn't say is that spruce is one of the only woods that can be used to make a quality violin. It is the wood that helped establish the reputation of the Stradivarius. And on a Stradivarius, you can play *andante* and *allegro*, but also *vivace*, *allegro*, and even *prestissimo*! Let's all continue to play a successful concert together!

Yours,

Nayla Hayek

Chair of the Swatch Group Board of Directors