

The IWC Collectors' Forum is pleased to announce the following exclusive interview with Georges Kern, IWC's CEO:

Interview with Georges Kern

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How has the economic downturn affected IWC?

Georges Kern (GK): Despite the difficult environment which is represented for example by the 42 % decrease in exportation of Swiss watches to the US in the first quarter 2009, IWC has held its own over the past few months and is among the strongest brands in its sector. We make a top-quality product and offer a wide range of watches in many different price brackets. As an added bonus, the company has a fascinating 141-year history that is rich in tradition, with countless milestones along the way.

How are the various markets faring in this environment? Take the U.S., for example: what strategies are IWC employing there?

GK: Everyone in the watch industry is having a tough time at the moment. We have turned the focus of our recent activities to the POS, and are out there in the front line with our retailers, taking positive steps to turn things round. We

have developed a sound POS marketing plan with new tools geared to meeting the challenges of the current situation and our retailers' medium- to long-term needs.

But essentially, the factors that make a brand strong and successful in the long run are its roots, its values and its history. IWC has had all three elements in abundance for the past 141 years. We are optimistic that business will recover and that the economy will flourish again.

What differentiates the approach of IWC from other brands? Has IWC's marketing approach changed significantly over the past few years?

GK: The use of specific imagery and themes has added an emotional element to the presentation of our individual watch families. They are accompanied by stories that move and affect people. The Pilot's Watches encapsulate the legend of aviation's pioneering days, the Aquatimer the fascination of diving, and the Ingenieur that of expeditions, adventure and nature itself.

On 1 June 2009, the world's only IWC Flagship Boutique opened its doors for business in Hong Kong. This exclusive point of sale is based on an unusual concept involving several areas fitted out to reflect the experience represented by the family in question: the Portuguese, Da Vinci, Ingenieur, Aquatimer and Pilot's Watches. Another feature that makes the Flagship Boutique unique is the IWC Collection. This consists of innovative, handpicked items and accessories that have been developed specially for the Flagship Boutique and can only be purchased there. They were designed to bring the themes behind the watch lines to life and make them something visitors can experience with all their senses.

As a global watch company, why is IWC involved so closely in environmental protection?

GK: Sustainability plays an integral part in our corporate philosophy. IWC Schaffhausen is serious about its environmental involvement, and not simply because everyone is talking about climate change. We have been taking active steps to improve our environmental balance sheet for seven years now and have been certified as a carbon-neutral operation since the summer of 2007. IWC will maintain this focus even in times of economic downturn.

Is acting on sustainability challenges a source of competitive advantage?

GK: Companies spend a total of \$750 billion a year on marketing on a worldwide level. We have clear strategies. What IWC tries to do is to spend our marketing dollar meaningfully and to create an authentic background for our watch families.

Our new partnership with the Charles Darwin Foundation, for example, marks the beginning of a long-term joint effort designed to protect one of the most

fascinating nature reserves on the planet: the Galapagos Islands, with their abundance of species and a unique and highly vulnerable ecosystem that is threatened in many ways. This new partnership is perfectly in line with our existing meaningful engagements, for example with the Cousteau Society, the Foundation Antoine de Saint-Exupéry or the Laureus Sport for Good Foundation, which we pursue since many years.

Does IWC support any other kind of smart project?

GK: Another major project supported by IWC Schaffhausen is the Plastiki Expedition, where we are acting as the official partner of adventurer and environmentalist David de Rothschild and his organization, Adventure Ecology. De Rothschild and a hand-picked crew of leading scientists, sailors, adventurers, thought leaders and creative individuals will be sailing approximately 10,000 nautical miles across the Pacific Ocean from San Francisco to Sydney on a vessel made almost entirely out of recycled plastic bottles. This spectacular mission aims to draw mainstream attention to waste as a resource and encourage the search for new, smart solutions to its use.

IWC firmly believes that every business enterprise has economic, social and ecological responsibilities. This is our way of promoting awareness of environmental issues.

Will IWC's product strategy change in reaction to the economy and market shifts? For example, will there be less emphasis on higher-priced products and a greater focus on IWC's entrance price segment?

GK: Our strategy of recent years has proved highly successful and made us as strong as we are today. We've built up a very strong brand image over the past few decades. We will further keep the balance between innovative new products like the latest Aquatimer and Ingenieur in the medium-price and high-end range and haute horlogerie products like the Da Vinci perpetual Calendar Digital Date-Month in the top-end sector.

What about the movement strategy: will we see more ETA base movements?

GK: Recent years have seen a steep increase in the development and production of our own movements. We have increased the ratio of manufacture movements from 2% to over 50% of our sales in the last seven years and we plan to further increase the production of own movements. Today we have four manufacture calibre families: the 50000, the 80000, the 89000 and the 98000.

However, we also have close and very successful links with external suppliers, and have been working with ETA, for instance, for many years. For our entry-level segment, we buy in high-quality ETA movement kits, and in 2007 started ordering complete movements produced exactly to IWC's own standards and specifications. All movements, whether assembled at IWC or supplied complete by ETA, undergo the same rigorous inspection and test procedures to ensure that they meet our high quality standards.

Will IWC also be collaborating with additional movement suppliers in the future apart from ETA?

GK: Of course. We are currently evaluating alternative suppliers that could meet our high quality standards.

What can you tell us about your new products for 2010 and other activities?

GK: The new products, which are currently receiving our undivided attention, will remain a well-kept secret until the New Year.

Thank you very much!

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